

Exhibit C – Part 1

Case 8:14-cv-01238-AG-RNB Document 1 Filed 08/05/14 Page 1 of 10 Page ID #:1

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General Motors LLC*

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

THE PEOPLE OF THE STATE OF
CALIFORNIA, acting by and through
Orange County District Attorney Tony
Rackauckas,

Plaintiff,

vs.

GENERAL MOTORS LLC,

Defendant.

CASE NO. 2:14-CV-6143

**DEFENDANT'S NOTICE OF
REMOVAL OF ACTION UNDER 28
U.S.C. § 1441(a) (BANKRUPTCY
COURT AND SUBJECT MATTER
JURISDICTION)**

TO: The United States District Court for the Central District of California:

Defendant General Motors LLC ("New GM") gives notice that it is removing this case to the United States District Court for the Central District of California on the grounds set forth below.

1. On June 27, 2014, an action was commenced in the Superior Court of Orange County, California, entitled *THE PEOPLE OF THE STATE OF CALIFORNIA, acting by and through Orange County District Attorney Tony Rackauckas v. GENERAL MOTORS LLC*, Case No. 30-2014-00731038-CU-BT-CXC. A copy of the Summons and Complaint is attached as Exhibit A.

2. Plaintiff served its Summons and Complaint upon Defendant General

1 Motors LLC on July 8, 2014. This Notice is timely filed under 28 U.S.C. § 1446(b).

2 3. This civil action is within this Court's original jurisdiction pursuant to
3 §1334(b) because it (a) arises under title 11, United States Code, 11 U.S.C. §§ 101 *et*
4 *seq.* (the "Bankruptcy Code"); (b) arises in a case under the Bankruptcy Code; and/or
5 (c) is related to a case under the Bankruptcy Code. Thus, this civil action may be
6 removed to this Court under 28 U.S.C. § 1441(a) and Rule 9027 of the Federal Rules
7 of Bankruptcy Procedure ("Bankruptcy Rules"). This is also a civil action within this
8 Court's original jurisdiction pursuant to 28 U.S.C. § 1331 because it raises a
9 substantial federal question.

10 4. This action involves claims related to the design, manufacture, supply,
11 and subsequent recall of vehicles allegedly containing an "ignition switch defect" and
12 34 other "known defects," including vehicles manufactured and sold by
13 General Motors Corporation ("Old GM") before it filed for bankruptcy under Chapter
14 11 of the United States Bankruptcy Code on June 1, 2009. (Compl. ¶¶ 1, 2.) Plaintiff
15 claims that defendant's alleged "systematic concealment" of these alleged defects
16 violated California law. (*Id.* ¶ 5.) Plaintiff specifically claims that defendant violated
17 the federal National Traffic and Motor Vehicle Safety Act (*id.* ¶¶ 217-24, 252) and the
18 California Business and Professions Code (Counts I and II). (*Id.* ¶¶ 24, 253-74.)

19 **Bankruptcy Jurisdiction**

20 5. In June 2009, Old GM initiated Chapter 11 proceedings in the United
21 States Bankruptcy Court for the Southern District of New York ("Bankruptcy Court").
22 Through a bankruptcy-approved sale process pursuant to Section 363 of the
23 Bankruptcy Code, New GM acquired most of Old GM's assets under a June 26, 2009
24 Amended and Restated Master Sale and Purchase Agreement ("Sale Agreement").
25 (Ex. B.) After notice, extensive discovery, and an evidentiary hearing, the
26 Bankruptcy Court approved the asset purchase in its Sale Order and Injunction, which
27 incorporated the Sale Agreement (Ex. C, 7/5/09 Bankr. Sale Order & Inj.). *See In re*
28 *Gen. Motors Corp.*, 407 B.R. 463 (Bankr. S.D.N.Y. 2009). The Sale Order and

1 Injunction was affirmed in all respects by two different district court judges in the
2 Southern District of New York. *In re Motors Liquidation Co.*, 428 B.R. 43 (S.D.N.Y.
3 2010); *In re Motors Liquidation Co.*, 430 B.R. 65 (S.D.N.Y. 2010). New GM's
4 purchase of Old GM's assets closed on July 10, 2009.

5 6. Under the Sale Agreement, New GM acquired Old GM's assets free and
6 clear of all liens, claims, liabilities, and encumbrances, other than specifically-
7 identified liabilities that New GM expressly assumed. (Ex. C at 13.) Specifically,
8 New GM assumed only three expressly defined categories of liabilities for vehicles
9 and parts manufactured and/or sold by Old GM: (a) claims based on post-sale
10 accidents involving Old GM vehicles causing personal injury, loss of life, or property
11 damages; (b) repairs provided for under the "Glove Box Warranty," a specific written
12 warranty of limited duration that only covers repairs and replacement of parts; and
13 (c) Lemon Law claims essentially tied to the failure to honor the written Glove Box
14 Warranty. (*Id.* ¶ 2.3(a)) (collectively, the "Assumed Liabilities").¹

15 7. All other liabilities relating to vehicles and parts manufactured and/or
16 sold by Old GM were legacy liabilities retained by Old GM. *See id.* at 44-45; *see also*
17 *In re Gen. Motors Corp.*, 407 B.R. at 481, *aff'd sub nom.*, *In re Motors Liquidation*
18 *Co.*, 428 B.R. 43 (S.D.N.Y. 2010), and 430 B.R. 65 (S.D.N.Y. 2010). The
19 Bankruptcy Court's Sale Order and Injunction explicitly provided that New GM
20 would have no responsibility for any liabilities (except for Assumed Liabilities)
21 relating to the operation of Old GM's business, or the production of vehicles and parts
22 before July 10, 2009. (Ex. C, ¶¶ 46, 9 & 8.) The Order also enjoined "[a]ll persons
23 and entities . . . holding claims against [Old GM] or the Purchased Assets arising
24 under or out of, in connection with, or in any way relating to [Old GM], the Purchased
25

26 ¹ *See also* Ex. B, Sale Agreement § 1.1, at p. 11 (defining "Lemon Laws" as "a
27 state statute requiring a vehicle manufacturer to provide a consumer remedy when
28 such manufacturer is unable to conform a vehicle to the express written warranty after
a reasonable number of attempts").

1 Assets, the operation of the Purchased Assets prior to the Closing . . . from asserting
2 [such claims] against [New GM]. . . .” (*Id.* ¶ 8.)

3 8. The Bankruptcy Court reserved exclusive and continuing jurisdiction to
4 enforce its injunction and to address and resolve all controversies concerning the
5 interpretation and enforcement of the Sale Order and Injunction. (*Id.* at 48-49.) Old
6 GM’s bankruptcy case is still pending in the Bankruptcy Court, and that Court has
7 previously exercised its exclusive and continuing jurisdiction to enforce the Sale
8 Order and Injunction to actions filed against New GM, including cases based on
9 alleged defects in Old GM vehicles. *See Trusky v. Gen. Motors Co. (In re Motors*
10 *Liquidation Co.)*, Adv. No. 12-09803, 2013 WL 620281 (Bankr. S.D.N.Y. Feb. 19,
11 2013); *Castillo v. Gen. Motors Co. (In re Motors Liquidation Co.)*, Adv. No. 09-
12 00509, 2012 WL 1339496 (Bankr. S.D.N.Y. Apr. 17, 2012), *aff’d*, 500 B.R. 333
13 (S.D.N.Y. 2013); *see also In re Motors Liquidation Co.*, 2011 WL 6119664 (Bankr.
14 S.D.N.Y. 2010).

15 9. On April 21, 2014, New GM moved to enforce the Sale Order and
16 Injunction by asking the Bankruptcy Court to direct plaintiffs in various cases alleging
17 ignition switch defects to cease and desist from prosecuting their claims and dismiss
18 those claims with prejudice (the “Ignition Switch Motion to Enforce”). (Ex. D,
19 4/21/14 GM Mot. to Enforce.) New GM’s Motion to Enforce is currently pending
20 before the Bankruptcy Court, Judge Gerber presiding. Immediately upon removal,
21 New GM will identify this case on a supplemental schedule in the Bankruptcy Court
22 as an Ignition Switch Action subject to the Motion to Enforce.²

23
24 ² On August 1, 2014, New GM filed a Motion to Enforce the Sale Order and
25 Injunction Against Monetary Relief Actions, Other Than Ignition Switch Actions,
26 and, on the same date, GM filed a Motion to Enforce the Sale Order and Injunction
27 Against Plaintiffs in Pre-Closing Accident Lawsuits, although that motion is not
28 applicable here given that plaintiff asserts no personal injury claims. *See* Motion of
General Motors LLC pursuant to 11 U.S.C. §§ 105 and 363 to Enforce the Court’s
July 5, 2009 Sale Order and Injunction (Monetary Relief Actions, Other Than Ignition

(Continued...)

1 10. Under 28 U.S.C. § 157(b), the Bankruptcy Court had core jurisdiction to
2 enter the Sale Order and Injunction pursuant to section 363 of the Bankruptcy Code.
3 Plaintiff's claims in this case, and any dispute concerning the Sale Agreement and the
4 Sale Order and Injunction, arise under the Bankruptcy Code or in a case under the
5 Bankruptcy Code, and the Bankruptcy Court therefore has core jurisdiction over this
6 action under 28 U.S.C. §§ 157(b) and 1334(b). *See In re Hereford Biofuels, L.P.*, 466
7 B.R. 841, 844 (Bankr. N.D. Tex. 2012) (post-confirmation dispute regarding
8 interpretation and enforcement of a sale order was a core proceeding); *Tenet*
9 *HealthSystem Phila., Inc. v. Nat'l Union of Hosp. & Health Care Employees*, 265
10 B.R. 88, 95-96 (Bankr. W.D. Pa. 2001) ("a bankruptcy court has core subject matter
11 jurisdiction to construe its own orders," which involve "sales of assets within the
12 bankruptcy court pursuant to 11 U.S.C. § 363"). Removal to federal court is proper
13 where, as here, a "federal court . . . 'has jurisdiction of such claim or cause of action'
14 under the Bankruptcy Code." *Hamilton v. Try Us, LLC*, 491 B.R. 561, 563 (W.D. Mo.
15 2013).³

16
17 _____
18 Switch Actions (Bankr. Ct. Docket No. 12808), attached hereto as Ex. E. Thus, even
19 if plaintiff's Complaint was not subject to the Ignition Switch Motion to Enforce by
20 virtue of the express ignition switch allegations contained therein, which it is,
21 plaintiff's Complaint would be subject to the recently-filed Monetary Relief Actions
22 Motion to Enforce with respect to the other 34 "known defects" alleged by plaintiff.

23 3 Indeed, this Action cannot proceed in any court, much less in state court, for the
24 simple and dispositive reason that its claims present an impermissible collateral attack
25 upon a final order of the Bankruptcy Court. *See Celotex Corp. v. Edwards*, 514 U.S.
26 300, 306 (1995) (holding that creditors were required to obey bankruptcy court order
27 and were forbidden from launching a collateral attack in another federal court, relying
28 on "the well-established rule that persons subject to an injunctive order issued by a
court with jurisdiction are expected to obey that decree until it is modified or reversed,
even if they have proper grounds to object to the order") (internal quotation marks
omitted); *see also In re Gruntz*, 202 F.3d 1074, 1082 (9th Cir. 2000); *In re Pardee*,
218 B.R. 916, 926 (B.A.P. 9th Cir. 1998); *Huntsinger v. Shaw Grp., Inc.*, 410 F. Supp.
2d 968, 976 (D. Or. 2006).

1 11. Plaintiff seeks to avoid the Sale Order and Injunction by purporting to
2 base its claims on New GM's alleged conduct after the effective date of the Sale.
3 (Compl. ¶ 3.) The Bankruptcy Court already has rejected such a challenge to its
4 subject-matter jurisdiction in overruling an objection to the Bankruptcy Court's ability
5 to stay plaintiffs in scores of individual Ignition Switch Actions pending the
6 Bankruptcy Court's determination of certain threshold issues related to New GM's
7 Ignition Switch Motion to Enforce. (7/30/14 Decision with Respect to No Stay
8 Pleading (Phaneuf Plaintiffs), attached hereto as Ex. F.) Specifically, just as the
9 plaintiff does here, one group of plaintiffs (the "Phaneuf Plaintiffs") attempted to
10 plead around the Bankruptcy Court's core and exclusive jurisdiction by arguing that
11 they are "asserting only post-sale claims" unrelated to Old GM's conduct. (Ex. F at
12 7.) Judge Gerber flatly rejected the argument, holding that because the Phaneuf
13 complaint involved "cars manufactured before the [bankruptcy sale]," the Phaneuf
14 Plaintiffs' "material reliance on the alleged conduct of Old GM" had "easily...
15 established" the "threshold applicability of the Sale Order." (*Id.* at 14-15.) Judge
16 Gerber expressly held:

17
18 I've found as a fact . . . that their complaint (apparently intentionally) merges
19 pre- and post-sale conduct by Old GM and New GM; and that their complaint
20 places express reliance on at least seven actions by Old GM, before New GM
21 was formed—that at least much of the Phaneuf Plaintiffs' complaint seeks to
22 impose liability on New GM based on Old GM's pre-sale acts. Efforts of that
23 character are expressly forbidden by the two [Sale Order] injunctive provisions
24 just quoted. . . . [A]t this point the Sale Order injunctive provisions apply. And
it need hardly be said that I have jurisdiction to interpret and enforce my own
orders, just as I've previously done, repeatedly, with respect to the very Sale
Order here.

25 (*Id.* at 16.)

26 12. Exactly like the Phaneuf Plaintiffs' claims, plaintiff's filing of this action
27 directly violates applicable provisions of the Sale Order and Injunction entered by the
28 Bankruptcy Court. The vehicles at issue in this action—described by plaintiff as

1 “over 17 million GM-branded vehicles from model years 2003 to 2014”—include
2 “used” and/or “GM certified” vehicles manufactured and sold by Old GM before the
3 Petition Date.⁴ (Compl. ¶¶ 31, 225.) Plaintiff’s Complaint is also replete with
4 allegations concerning Old GM’s purported conduct.⁵ (*Id.* ¶¶ 179-211.) Because
5 plaintiff asserts claims that relate to the operation of Old GM’s business and the
6 production of vehicles and parts before July 10, 2009, those claims are barred by the
7 Bankruptcy Court’s Sale Order and Injunction and, as Judge Gerber has already held,
8 the Bankruptcy Court has exclusive jurisdiction to adjudicate that issue. (*See, e.g.*,
9 Ex. C, ¶¶ 46, 9 & 8.). Accordingly, bankruptcy jurisdiction exists and removal to
10 federal court is proper. *See Hamilton*, 491 B.R. at 563.

11 **Federal Question Jurisdiction**

12 13. Plaintiff’s Complaint also is removable to federal court because

13
14
15 4 Many of the defects plaintiff alleges, including each of the first seven cited in
16 the Complaint, were allegedly present in vehicles of model year (“MY”) 2009 and
17 earlier. (Compl. ¶¶ 74-76 (“ignition switch defect,” MY 2003-2011); ¶ 81 (“power
18 steering defect,” MY 2003-2010); ¶ 92 (“airbag defect,” MY 2007-2013); ¶ 106
19 (“brake light defect,” MY 2004-2012); ¶ 126 (“shift cable defect,” MY 2004-2010); ¶
20 138 (“safety belt defect,” MY 2008-2014); ¶ 142 (“ignition lock cylinder defect,” MY
21 2003-2011).)

22 5 These include, but are by no means limited to, the claims that Old GM “sold a
23 large number of unsafe vehicle models with myriad defects” (*id.* ¶ 31); that Old GM
24 was “a company that valued cost-cutting over safety” (*id.* ¶ 32); that an Old GM
25 engineer purportedly concealed a defect “while working for Old GM” (*id.* ¶ 47); that
26 “Old GM did not view vehicle stalling and the loss of power steering as a ‘safety
27 issue’” (*id.* ¶ 54); that Old GM’s approach to the “design and manufacture” of its
28 vehicles—including those sold before the effective date of the Sale Order—“presents
a disturbing picture” (*id.* ¶ 179); that “Old GM reduced the TREAD Reporting team
from eight to three employees,” leaving it without “sufficient resources... to better
identify and understand potential defects” (*id.* ¶ 190); and that an Old GM “training
document” from 2008 reveals “the lengths to which GM went to ensure that known
defects were concealed” (*id.* ¶¶ 199-200).

1 plaintiff's claims raise a substantial federal question and, therefore, provide original
2 federal question jurisdiction under 28 U.S.C. § 1331. *See* 28 U.S.C. § 1441(a).

3 14. The Supreme Court and other federal courts recognize the existence of
4 federal jurisdiction over claims that, while not created by federal law, nonetheless
5 involve substantial questions of federal law necessary to a plaintiff's right to relief.
6 *See, e.g., City of Chicago v. Int'l Coll. of Surgeons*, 522 U.S. 156, 164 (1997);
7 *Franchise Tax Bd. of Cal. v. Constr. Laborers Vacation Trust for S. Cal.*, 463 U.S. 1,
8 27-28 (1983); *Smith v. Kan. City Title & Trust Co.*, 255 U.S. 180 (1921).

9 15. Pursuant to *Grable & Sons Metal Prods., Inc. v. Darue Eng'g & Mfg.*,
10 545 U.S. 308 (2005), federal question jurisdiction exists where a state-law claim
11 necessarily raises a stated federal issue, "actually disputed and substantial, which a
12 federal forum may entertain without disturbing [any] congressionally approved
13 balance of federal and state judicial responsibilities." *Id.*

14 16. Although framed in the language of California statutory law, plaintiff's
15 Complaint raises a substantial federal question. *See, e.g., Federated Dep't Stores, Inc.*
16 *v. Moitie*, 452 U.S. 394, 397 n.2 (1981) ("Courts will not permit plaintiff to use artful
17 pleading to close off defendant's right to a federal forum.") (internal quotation marks
18 omitted); *Hall v. N. Am. Van Lines, Inc.*, 476 F.3d 683, 687 (9th Cir. 2007) ("The
19 absence of a federal claim on the face of [plaintiff's] complaint does not end our
20 jurisdictional inquiry.").

21 17. In this action, plaintiff seeks to recover for purported violations of a
22 federal law under the guise of bringing state-law claims. Plaintiff alleges that "GM's
23 unlawful business acts and/or practices... violated numerous federal" laws. (Compl.
24 ¶ 257.) Specifically, plaintiff claims that New GM violated the National Traffic and
25 Motor Vehicle Safety Act of 1966 (the "Motor Vehicle Safety Act") (*Id.* ¶ 217-24,
26 citing 49 U.S.C. § 30101 *et seq.*) Plaintiff asserts that a manufacturer is required to
27 provide the National Highway Traffic Safety Administration ("NHTSA") with various
28 information, including "'early warning reporting' (EWR) data," notice of "defects and

1 recalls in motor vehicles in foreign countries,” and “quarterly field reports” relating to
2 vehicle models. (Compl. ¶¶ 219-21, *citing* 49 U.S.C. § 30166(m)(3)(B) and 49 CFR
3 §§ 573.6, 579.11-12, and 579.21.) Plaintiff further alleges that manufacturers must
4 furnish certain information to NHTSA “within five days of discovering a defect” and
5 must also notify vehicle “dealers and purchasers and remedy the defect without
6 charge.” (Compl. ¶¶ 218-19, *citing* 49 U.S.C. § 30118 and 49 CFR § 573.6.)
7 According to plaintiff, New GM “violated” these federal statutes and regulations
8 “when it failed to timely inform NHTSA of the defects and allowed cars to remain on
9 the road with these defects.” (Compl. ¶ 252.)

10 18. Although plaintiff frames these purported violations and failures under
11 the Motor Vehicle Safety Act as state-law claims brought pursuant to the California
12 Business and Professions Code, on their face, plaintiff’s allegations require the Court
13 to determine New GM’s duties and obligations under federal motor vehicle safety
14 standards and whether those requirements were met by defendant. (*Id.* ¶¶ 217-24,
15 257.) Accordingly, removal is proper since this is a civil action brought in state court
16 over which the federal courts have original jurisdiction based on the existence of a
17 substantial federal question. *See* 28 U.S.C. § 1331; *see also id.* § 1441.

18 Conclusion

19 19. This action may be removed by defendant pursuant to 28 U.S.C. § 1441.
20 Removal to the United States District Court for the Central District of California is
21 proper because the Central District of California embraces Los Angeles County.

22 20. Exhibit A comprises all process, pleadings, and orders served upon
23 defendant in this action.

24 WHEREFORE, the defendant gives notice that the action pending against it in
25 the Superior Court of Los Angeles County, California, has been removed from that
26 court to the United States District Court for the Central District of California, and

27 WHEREFORE, the defendant also attaches as Exhibit G the NOTICE TO
28 STATE COURT OF REMOVAL OF ACTION UNDER 28 U.S.C. § 1441(b)

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1 (BANKRUPTCY COURT AND SUBJECT MATTER JURISDICTION) that they
2 shall file with the Clerk of the Superior Court of Los Angeles County, California.
3

4 DATED: August 5, 2014

Respectfully submitted,

KIRKLAND & ELLIS LLP

5
6
7
8 /s/ Darin T. Beffa
Darin T. Beffa

9 Attorneys for Defendant
10 GENERAL MOTORS LLC.
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SUPERIOR COURT OF CALIFORNIA

ORANGE

751 W. Santa Ana Blvd

Santa Ana , CA 92701

(657) 622-5300

www.occourts.org

NOTICE OF CASE ASSIGNMENT

Case Number: **30-2014-00731038-CU-BT-CXC**

Your case has been assigned for all purposes to the judicial officer indicated below. A copy of this information must be provided with the complaint or petition, and with any cross-complaint that names a new party to the underlying action.

ASSIGNED JUDGE	COURT LOCATION	DEPARTMENT/ROOM	PHONE
Hon. Kim G. Dunning	Civil Complex Center	CX104	(657) 622-5300
Hearing:	Date:	Time:	
JUDGE	COURT LOCATION	DEPARTMENT/ROOM	PHONE
Hon.			

[x] ADR Information attached.

SCHEDULING INFORMATION

Judicial Scheduling Calendar Information

Individual courtroom information and the items listed below may be found at: www.occourts.org.

Case Information, Court Local Rules, filing fees, forms, Civil Department Calendar Scheduling Chart, Department phone numbers, Complex Civil E-filing, and Road Map to Civil Filings and Hearings.

Ex Parte Matters

Rules for Ex Parte Applications can be found in the California Rules of Court, rules 3.1200 through 3.1207 at: www.courtinfo.ca.gov. Trials that are in progress have priority; therefore, you may be required to wait for your ex parte hearing.

Noticed Motions

- * The following local Orange County Superior Court rules are listed for your convenience:
 - Rule 307 - Telephonic Appearance Litigants - Call CourtCall, LLC at (310) 914-7884 or (888) 88-COURT.
 - Rule 380 - Fax Filing, Rule 450 - Trial Pre-Conference (Unlimited Civil)
- * All Complex Litigation cases are subject to mandatory Electronic Filing, unless excused by the Court.
- * Request to Enter Default and Judgment are strongly encouraged to be filed as a single packet.

Other Information

Hearing dates and times can be found on the Civil Department Calendar Scheduling Chart.

All fees and papers must be filed in the Clerk's Office of the Court Location address listed above.

Date: 06/27/2014

Irma Cook, Deputy Clerk

NOTICE OF CASE ASSIGNMENT

<i>Attorney or Party without Attorney</i> MARK P. ROBINSON, JR., ESQ., Bar #054426 ROBINSON, CALCAGNIE, ROBINSON et al. 19 CORPORATE PLAZA DRIVE NEWPORT BEACH, CA 92660 Telephone No. (949) 720-1288 FAX No. (949) 720-1292		<i>For Court Use Only</i> ELECTRONICALLY FILED Superior Court of California, County of Orange 07/23/2014 at 09:35:00 AM Clerk of the Superior Court By e Clerk, Deputy Clerk	
<i>Attorney for</i> Plaintiff		<i>Ref. No. or File No.</i>	
<i>Insert name of Court, and Judicial District and Branch Court</i> ORANGE COUNTY SUPERIOR COURT, CENTRAL COMPLEX DIVISION			
<i>Plaintiff:</i> THE PEOPLE OF THE STATE OF CALIFORNIA <i>Defendant:</i> GENERAL MOTORS LLC			
PROOF OF SERVICE OF SUMMONS ON FIRST AMENDED COMPLAINT	<i>Hearing Date</i>	<i>Time</i>	<i>Case Number</i> 30-2014-00731038-CU-BT-CXC

1. *At the time of service I was at least 18 years of age and not a party to this action.*
2. I served copies of the SUMMONS ON FIRST AMENDED COMPLAINT; FIRST AMENDED COMPLAINT FOR VIOLATIONS OF CALIFORNIA UNFAIR COMPETITION LAW AND FALSE ADVERTISING LAW; CIVIL CASE COVER SHEET; ALTERNATIVE DISPUTE RESOLUTION (ADR) INFORMATION PACKAGE.
3. *a. Party served:* GENERAL MOTORS LLC
b. Person served: BECKY DEGEORGE, CSC LAWYERS INCORPORATING SERVICE, REGISTERED AGENT.
4. *Address where the party was served:* 2710 North Gateway Oaks Drive
Suite 150
SACRAMENTO, CA 95833
5. *I served the party:*
 - a. **by personal service.** I personally delivered the documents listed in item 2 to the party or person authorized to receive process for the party (1) on: Tue., Jul. 08, 2014 (2) at: 2:50PM
6. *The "Notice to the Person Served" (on the Summons) was completed as follows:*
on behalf of: GENERAL MOTORS LLC
Other: a limited liability company.
7. *Person Who Served Papers:*
 - a. Michael Morris



1814 "I" Street
Sacramento, CA 95814
Telephone (916) 444-5111
Fax (916) 443-3111
www.firstlegallnetwork.com

Recoverable Cost Per CCP 1033.5(a)(4)(B)

- d. *The Fee for Service was:* \$216.41
- e. I am: (3) registered California process server
 - (i) Independent Contractor
 - (ii) *Registration No.:* 2012-33
 - (iii) *County:* Sacramento
 - (iv) *Expiration Date:* Fri, Jul. 01, 2016

8. *I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.*

Date: Mon, Jul. 14, 2014

CM-010

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number, and address): Mark P. Robinson, Jr., SBN 054426 ROBINSON CALCAGNIE ROBINSON SHAPIRO DAVIS, INC. 19 Corporate Plaza Drive Newport Beach, CA 92660 TELEPHONE NO.: 949-720-1288 FAX NO.: 949-720-1292 ATTORNEY FOR (Name): Plaintiffs		FOR COURT USE ONLY ELECTRONICALLY FILED Superior Court of California, County of Orange 06/27/2014 at 12:18:58 PM Clerk of the Superior Court By Irma Cook, Deputy Clerk
SUPERIOR COURT OF CALIFORNIA, COUNTY OF ORANGE STREET ADDRESS: 751 West Santa Ana Boulevard MAILING ADDRESS: CITY AND ZIP CODE: Santa Ana, CA 92701 BRANCH NAME: CIVIL COMPLEX CENTER		
CASE NAME: The People of the State of California v. General Motors LLC		
CIVIL CASE COVER SHEET <input checked="" type="checkbox"/> Unlimited (Amount demanded exceeds \$25,000) <input type="checkbox"/> Limited (Amount demanded is \$25,000 or less)	Complex Case Designation <input type="checkbox"/> Counter <input type="checkbox"/> Joinder Filed with first appearance by defendant (Cal. Rules of Court, rule 3.402)	CAS 30-2014-00731038-CU-BT-CXC JUDGE: Judge Kim G. Dunning DEPT:

Items 1-6 below must be completed (see instructions on page 2).

1. Check one box below for the case type that best describes this case:

Auto Tort <input type="checkbox"/> Auto (22) <input type="checkbox"/> Uninsured motorist (46) Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort <input type="checkbox"/> Asbestos (04) <input type="checkbox"/> Product liability (24) <input type="checkbox"/> Medical malpractice (45) <input type="checkbox"/> Other PI/PD/WD (23) Non-PI/PD/WD (Other) Tort <input checked="" type="checkbox"/> Business tort/unfair business practice (07) <input type="checkbox"/> Civil rights (08) <input type="checkbox"/> Defamation (13) <input type="checkbox"/> Fraud (16) <input type="checkbox"/> Intellectual property (19) <input type="checkbox"/> Professional negligence (25) <input type="checkbox"/> Other non-PI/PD/WD tort (35) Employment <input type="checkbox"/> Wrongful termination (36) <input type="checkbox"/> Other employment (15)	Contract <input type="checkbox"/> Breach of contract/warranty (06) <input type="checkbox"/> Rule 3.740 collections (09) <input type="checkbox"/> Other collections (09) <input type="checkbox"/> Insurance coverage (18) <input type="checkbox"/> Other contract (37) Real Property <input type="checkbox"/> Eminent domain/Inverse condemnation (14) <input type="checkbox"/> Wrongful eviction (33) <input type="checkbox"/> Other real property (26) Unlawful Detainer <input type="checkbox"/> Commercial (31) <input type="checkbox"/> Residential (32) <input type="checkbox"/> Drugs (38) Judicial Review <input type="checkbox"/> Asset forfeiture (05) <input type="checkbox"/> Petition re: arbitration award (11) <input type="checkbox"/> Writ of mandate (02) <input type="checkbox"/> Other judicial review (39)	Provisionally Complex Civil Litigation (Cal. Rules of Court, rules 3.400-3.403) <input type="checkbox"/> Antitrust/Trade regulation (03) <input type="checkbox"/> Construction defect (10) <input type="checkbox"/> Mass tort (40) <input type="checkbox"/> Securities litigation (28) <input type="checkbox"/> Environmental/Toxic tort (30) <input type="checkbox"/> Insurance coverage claims arising from the above listed provisionally complex case types (41) Enforcement of Judgment <input type="checkbox"/> Enforcement of judgment (20) Miscellaneous Civil Complaint <input type="checkbox"/> RICO (27) <input type="checkbox"/> Other complaint (not specified above) (42) Miscellaneous Civil Petition <input type="checkbox"/> Partnership and corporate governance (21) <input type="checkbox"/> Other petition (not specified above) (43)
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2. This case ☒ is ☐ is not complex under rule 3.400 of the California Rules of Court. If the case is complex, mark the factors requiring exceptional judicial management:
- a. ☐ Large number of separately represented parties d. ☒ Large number of witnesses
- b. ☒ Extensive motion practice raising difficult or novel issues that will be time-consuming to resolve e. ☐ Coordination with related actions pending in one or more courts in other counties, states, or countries, or in a federal court
- c. ☒ Substantial amount of documentary evidence f. ☐ Substantial postjudgment judicial supervision
3. Remedies sought (check all that apply): a. ☒ monetary b. ☒ nonmonetary; declaratory or injunctive relief c. ☐ punitive
4. Number of causes of action (specify): 2
5. This case ☐ is ☒ is not a class action suit.
6. If there are any known related cases, file and serve a notice of related case. (You may use form CM-015.)

Date: June 27, 2014

Mark P. Robinson, Jr., SBN 054426

(TYPE OR PRINT NAME)

(SIGNATURE OF PARTY OR ATTORNEY FOR PARTY)

NOTICE

- Plaintiff must file this cover sheet with the first paper filed in the action or proceeding (except small claims cases or cases filed under the Probate Code, Family Code, or Welfare and Institutions Code). (Cal. Rules of Court, rule 3.220.) Failure to file may result in sanctions.
- File this cover sheet in addition to any cover sheet required by local court rule.
- If this case is complex under rule 3.400 et seq. of the California Rules of Court, you must serve a copy of this cover sheet on all other parties to the action or proceeding.
- Unless this is a collections case under rule 3.740 or a complex case, this cover sheet will be used for statistical purposes only.

Page 1 of 2

INSTRUCTIONS ON HOW TO COMPLETE THE COVER SHEET

CM-010

To Plaintiffs and Others Filing First Papers. If you are filing a first paper (for example, a complaint) in a civil case, you must complete and file, along with your first paper, the *Civil Case Cover Sheet* contained on page 1. This information will be used to compile statistics about the types and numbers of cases filed. You must complete items 1 through 6 on the sheet. In item 1, you must check one box for the case type that best describes the case. If the case fits both a general and a more specific type of case listed in item 1, check the more specific one. If the case has multiple causes of action, check the box that best indicates the primary cause of action. To assist you in completing the sheet, examples of the cases that belong under each case type in item 1 are provided below. A cover sheet must be filed only with your initial paper. Failure to file a cover sheet with the first paper filed in a civil case may subject a party, its counsel, or both to sanctions under rules 2.30 and 3.220 of the California Rules of Court.

To Parties in Rule 3.740 Collections Cases. A "collections case" under rule 3.740 is defined as an action for recovery of money owed in a sum stated to be certain that is not more than \$25,000, exclusive of interest and attorney's fees, arising from a transaction in which property, services, or money was acquired on credit. A collections case does not include an action seeking the following: (1) tort damages, (2) punitive damages, (3) recovery of real property, (4) recovery of personal property, or (5) a prejudgment writ of attachment. The identification of a case as a rule 3.740 collections case on this form means that it will be exempt from the general time-for-service requirements and case management rules, unless a defendant files a responsive pleading. A rule 3.740 collections case will be subject to the requirements for service and obtaining a judgment in rule 3.740.

To Parties in Complex Cases. In complex cases only, parties must also use the *Civil Case Cover Sheet* to designate whether the case is complex. If a plaintiff believes the case is complex under rule 3.400 of the California Rules of Court, this must be indicated by completing the appropriate boxes in items 1 and 2. If a plaintiff designates a case as complex, the cover sheet must be served with the complaint on all parties to the action. A defendant may file and serve no later than the time of its first appearance a joinder in the plaintiff's designation, a counter-designation that the case is not complex, or, if the plaintiff has made no designation, a designation that the case is complex.

CASE TYPES AND EXAMPLES

Auto Tort

Auto (22)—Personal Injury/Property Damage/Wrongful Death
Uninsured Motorist (48) (*If the case involves an uninsured motorist claim subject to arbitration, check this item instead of Auto*)

Other PI/PD/WD (Personal Injury/Property Damage/Wrongful Death) Tort

Asbestos (04)
Asbestos Property Damage
Asbestos Personal Injury/Wrongful Death
Product Liability (*not asbestos or toxic/environmental*) (24)
Medical Malpractice (45)
Medical Malpractice—Physicians & Surgeons
Other Professional Health Care Malpractice
Other PI/PD/WD (23)
Premises Liability (e.g., slip and fall)
Intentional Bodily Injury/PD/WD (e.g., assault, vandalism)
Intentional Infliction of Emotional Distress
Negligent Infliction of Emotional Distress
Other PI/PD/WD

Non-PI/PD/WD (Other) Tort

Business Tort/Unfair Business Practice (07)
Civil Rights (e.g., discrimination, false arrest) (*not civil harassment*) (08)
Defamation (e.g., slander, libel) (13)
Fraud (16)
Intellectual Property (19)
Professional Negligence (25)
Legal Malpractice
Other Professional Malpractice (*not medical or legal*)
Other Non-PI/PD/WD Tort (35)
Employment
Wrongful Termination (36)
Other Employment (15)

Contract

Breach of Contract/Warranty (06)
Breach of Rental/Lease
Contract (*not unlawful detainer or wrongful eviction*)
Contract/Warranty Breach—Seller Plaintiff (*not fraud or negligence*)
Negligent Breach of Contract/Warranty
Other Breach of Contract/Warranty
Collections (e.g., money owed, open book accounts) (09)
Collection Case—Seller Plaintiff
Other Promissory Note/Collections Case
Insurance Coverage (*not provisionally complex*) (18)
Auto Subrogation
Other Coverage
Other Contract (37)
Contractual Fraud
Other Contract Dispute

Real Property

Eminent Domain/Inverse Condemnation (14)
Wrongful Eviction (33)
Other Real Property (e.g., quiet title) (26)
Writ of Possession of Real Property
Mortgage Foreclosure
Quiet Title
Other Real Property (*not eminent domain, landlord/tenant, or foreclosure*)

Unlawful Detainer

Commercial (31)
Residential (32)
Drugs (38) (*If the case involves illegal drugs, check this item; otherwise, report as Commercial or Residential*)

Judicial Review

Asset Forfeiture (05)
Petition Re: Arbitration Award (11)
Writ of Mandate (02)
Writ—Administrative Mandamus
Writ—Mandamus on Limited Court Case Matter
Writ—Other Limited Court Case Review
Other Judicial Review (39)
Review of Health Officer Order
Notice of Appeal—Labor
Commissioner Appeals

Provisionally Complex Civil Litigation (Cal. Rules of Court Rules 3.400–3.403)

Antitrust/Trade Regulation (03)
Construction Defect (10)
Claims Involving Mass Tort (40)
Securities Litigation (28)
Environmental/Toxic Tort (30)
Insurance Coverage Claims (*arising from provisionally complex case type listed above*) (41)

Enforcement of Judgment

Enforcement of Judgment (20)
Abstract of Judgment (Out of County)
Confession of Judgment (*non-domestic relations*)
Sister State Judgment
Administrative Agency Award (*not unpaid taxes*)
Petition/Certification of Entry of Judgment on Unpaid Taxes
Other Enforcement of Judgment Case

Miscellaneous Civil Complaint

RICO (27)
Other Complaint (*not specified above*) (42)
Declaratory Relief Only
Injunctive Relief Only (*non-harassment*)
Mechanics Lien
Other Commercial Complaint Case (*non-tort/non-complex*)
Other Civil Complaint (*non-tort/non-complex*)

Miscellaneous Civil Petition

Partnership and Corporate Governance (21)
Other Petition (*not specified above*) (43)
Civil Harassment
Workplace Violence
Elder/Dependent Adult Abuse
Election Contest
Petition for Name Change
Petition for Relief from Late Claim
Other Civil Petition

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SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF ORANGE – COMPLEX LITIGATION DIVISION

THE PEOPLE OF THE STATE OF
CALIFORNIA, acting by and through Orange
County District Attorney Tony Rackauckas,

Plaintiff,

v.

GENERAL MOTORS LLC

Defendant.

Case No. 30-2014-00731038-CU-BT-CXC
Judge Kim G. Dunning

**COMPLAINT FOR VIOLATIONS OF
CALIFORNIA UNFAIR COMPETITION
LAW AND FALSE ADVERTISING LAW**

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1 Plaintiff, the People of the State of California (“Plaintiff” or “the People”), by and through
2 Tony Rackauckas, District Attorney for the County of Orange (“District Attorney”), alleges the
3 following, on information and belief:

4 **I. INTRODUCTION**

5 1. This is an action for unfair, unlawful, and fraudulent business practices and false
6 advertising in violation of California Business and Professions Code sections 17200 *et seq.*, the
7 Unfair Competition Law (“UCL”), and 17500 *et seq.*, the False Advertising Law (“FAL”),
8 involving sales, leases, or other wrongful conduct or injuries occurring in California. The
9 defendant is General Motors LLC (“Defendant” or “GM”), which is based in Detroit, Michigan.

10 2. This case arises from GM’s egregious failure to disclose, and the affirmative
11 concealment of, at least 35 separate known defects in vehicles sold by GM, and by its predecessor,
12 “Old GM” (collectively, “GM-branded vehicles”). By concealing the existence of the many known
13 defects plaguing many models and years of GM-branded vehicles and the fact that GM values cost-
14 cutting over safety, and concurrently marketing the GM brand as “safe” and “reliable,” GM enticed
15 vehicle purchasers to buy GM vehicles under false pretenses.

16 3. This action seeks to hold GM liable only for its *own* acts and omissions *after* the
17 July 10, 2009 effective date of the Sale Order and Purchase Agreement through which GM
18 acquired virtually all of the assets and certain liabilities of Old GM.

19 4. A vehicle made by a reputable manufacturer of safe and reliable vehicles is worth
20 more than an otherwise similar vehicle made by a disreputable manufacturer that is known to
21 devalue safety and to conceal serious defects from consumers and regulators. GM Vehicle Safety
22 Chief Jeff Boyer has recently stated that: “Nothing is more important than the safety of our
23 customers in the vehicles they drive.” Yet GM failed to live up to this commitment, instead
24 choosing to conceal at least 35 serious defects in over 17 million GM-branded vehicles sold in the
25 United States (collectively, the “Defective Vehicles”).

26 5. The systematic concealment of known defects was deliberate, as GM followed a
27 consistent pattern of endless “investigation” and delay each time it became aware of a given defect.
28 In fact, recently revealed documents show that GM valued cost-cutting over safety, trained its

1 personnel to *never* use the words “defect,” “stall,” or other words suggesting that any GM-branded
2 vehicles are defective, routinely chose the cheapest part supplier without regard to safety, and
3 discouraged employees from acting to address safety issues.

4 6. Under the Transportation Recall Enhancement, Accountability and Documentation
5 Act (“TREAD Act”)¹ and its accompanying regulations, when a manufacturer learns that a vehicle
6 contains a safety defect, the manufacturer must promptly disclose the defect.² If it is determined
7 that the vehicle is defective, the manufacturer may be required to notify vehicle owners,
8 purchasers, and dealers of the defect, and may be required to remedy the defect.³

9 7. GM *explicitly assumed* the responsibilities to report safety defects with respect to
10 all GM-branded vehicles as required by the TREAD Act. GM also had the same duty under
11 California law.

12 8. When a manufacturer with TREAD Act responsibilities is aware of myriad safety
13 defects and fails to disclose them as GM has done, that manufacturer’s vehicles are not safe. And
14 when that manufacturer markets and sells its new vehicles by touting that its vehicles are “safe,” as
15 GM has also done, that manufacturer is engaging in deception.

16 9. GM has recently been forced to disclose that it had been concealing a large number
17 of known safety defects in GM-branded vehicles ever since its inception in 2009, and that other
18 defects arose on its watch due in large measure to GM’s focus on cost-cutting over safety, its
19 discouragement of raising safety issues and its training of employees to avoid using language such
20 as “stalls,” “defect” or “safety issue” in order to avoid attracting the attention of regulators. As a
21 result, GM has been forced to recall over 17 million vehicles in some 40 recalls covering 35
22 separate defects during the first five and a half months of this year –20 times more than during the
23 same period in 2013. The cumulative negative effect on the value of the vehicles sold by GM has
24 been both foreseeable and significant.

25
26
27 ¹ 49 U.S.C. §§ 30101-30170.

28 ² 49 U.S.C. § 30118(c)(1) & (2).

³ 49 U.S.C. § 30118(b)(2)(A) & (B).

1 10. The highest-profile defect concealed by GM concerns the ignition switches in more
2 than 1.5 million vehicles sold by GM's predecessor (the "ignition switch defect"). The ignition
3 switch defect can cause the affected vehicles' ignition switches to inadvertently move from the
4 "run" position to the "accessory" or "off" position during ordinary driving conditions, resulting in a
5 loss of power, vehicle speed control, and braking, as well as a failure of the vehicle's airbags to
6 deploy. GM continued to use defective ignition switches in "repairs" of vehicles it sold after July
7 10, 2009.

8 11. For the past five years, GM received reports of crashes and injuries that put GM on
9 notice of the serious safety issues presented by its ignition switch system. GM was aware of the
10 ignition switch defects (and many other serious defects in numerous models of GM-branded
11 vehicles) *from the very date of its inception on July 10, 2009.*

12 12. Yet, despite the dangerous nature of the ignition switch defects and the effects on
13 critical safety systems, GM concealed the existence of the defects and failed to remedy the problem
14 from the date of its inception until February of 2014. In February and March of 2014, GM issued
15 three recalls for a combined total of 2.19 million vehicles with the ignition switch defects.

16 13. On May 16, 2014, GM entered a Consent Order with NHTSA in which it admitted
17 that it violated the TREAD Act by not disclosing the ignition switch defect, and agreed to pay the
18 maximum available civil penalties for its violations.

19 14. Unfortunately for all owners of vehicles sold by GM, the ignition switch defect was
20 only one of a seemingly never-ending parade of recalls in the first half of 2014 – many concerning
21 safety defects that had been long known to GM.

22 15. Between 2003 and 2010, over 1.3 million GM-branded vehicles in the United States
23 were sold with a safety defect that causes the vehicle's electric power steering ("EPS") to suddenly
24 fail during ordinary driving conditions and revert back to manual steering, requiring greater effort
25 by the driver to steer the vehicle and increasing the risk of collisions and injuries (the "power
26 steering defect").

27 16. As with the ignition switch defect, GM was aware of the power steering defect from
28 the date of its inception, and concealed the defect for years.

1 17. From 2007 until at least 2013, nearly 1.2 million GM-branded vehicles were sold in
2 the United States with defective wiring harnesses. Increased resistance in the wiring harnesses of
3 driver and passenger seat-mounted, side-impact air bag (“SIAB”) in the affected vehicles may
4 cause the SIABs, front center airbags, and seat belt pretensioners to not deploy in a crash (the
5 “airbag defect”). The vehicles’ failure to deploy airbags and pretensioners in a crash increases the
6 risk of injury and death to the drivers and front-seat passengers.

7 18. Once again, GM knew of the dangerous airbag defect from the date of its inception
8 on July 10, 2009, but chose instead to conceal the defect, and marketed its vehicles as “safe” and
9 “reliable.”

10 19. To take just one more example, between 2003 and 2012, 2.4 million GM-branded
11 vehicles in the United States were sold with a wiring harness defect that could cause brake lamps to
12 fail to illuminate when the brakes are applied or cause them to illuminate when the brakes are not
13 engaged (the “brake light defect”). The same defect could also disable traction control, electronic
14 stability control, and panic braking assist operations. Though GM received hundreds of complaints
15 and was aware of at least 13 crashes caused by this defect, it waited until May of 2014 before
16 finally ordering a full recall.

17 20. As further detailed in this Complaint, the ignition switch, power steering, airbag,
18 and brake light defects are just 4 of the 35 separate defects that resulted in 40 recalls of GM-
19 branded vehicles in the first five and a half months of 2014, affecting over 17 million vehicles.
20 Most or all of these recalls are for safety defects, and many of the defects were apparently known
21 to GM, but concealed for years.

22 21. This case arises from GM’s breach of its obligations and duties, including but not
23 limited to: (i) its concealment of, and failure to disclose that, as a result of a spate of safety defects,
24 over 17 million Defective Vehicles were on the road nationwide – and many hundreds of thousands
25 in California; (ii) its failure to disclose the defects despite its TREAD Act obligations; (iii) its
26 failure to disclose that it devalued safety and systemically encouraged the concealment of known
27 defects; (iv) its continued use of defective ignition switches as replacement parts; (v) its sale of
28 used “GM certified” vehicles that were actually plagued with a variety of known safety defects;

1 and (vi) its repeated and false statements that its vehicles were safe and reliable, and that it stood
2 behind its vehicles after they were purchased.

3 22. From its inception in 2009, GM has known that many defects exist in millions of
4 GM-branded vehicles sold in the United States. But, to protect its profits and to avoid remediation
5 costs and a public relations nightmare, GM concealed the defects and their sometimes tragic
6 consequences.

7 23. GM violated the TREAD Act by failing to timely inform NHTSA of the myriad
8 safety defects plaguing GM-branded vehicles and allowed the Defective Vehicles to remain on the
9 road. In addition to violating the TREAD Act, GM fraudulently concealed the defects from owners
10 and from purchasers of new and used vehicles sold after July 10, 2009, and even used defective
11 ignition switches as replacement parts. These same acts and omissions also violated California law
12 as detailed below.

13 24. GM's failure to disclose the many defects, as well as advertising and promotion
14 concerning GM's record of building "safe" cars of high quality, violated California law.

15 II. PLAINTIFF'S AUTHORITY

16 25. Tony Rackauckas, District Attorney of the County of Orange, acting to protect the
17 public as consumers from unlawful, unfair, and fraudulent business practices, brings this action in
18 the public interest in the name of the People of the State of California for violations of the Unfair
19 Competition Law pursuant to California Business and Professions Code Sections 17200, 17204 and
20 17206, and for violations of the False Advertising Law pursuant to California Business and
21 Professions Code Sections 17500, 17535 and 17536. Plaintiff, by this action, seeks to enjoin GM
22 from engaging in the unlawful, unfair, and fraudulent business practices alleged herein, and seeks
23 civil penalties for GM's violations of the above statutes.

24 III. DEFENDANT

25 26. Defendant General Motors LLC ("GM") is a foreign limited liability company
26 formed under the laws of Delaware with its principal place of business located at 300 Renaissance
27 Center, Detroit, Michigan. GM was incorporated in 2009.

1 27. GM has significant contacts with Orange County, California, and the activities
2 complained of herein occurred, in whole or in part, in Orange County, California.

3 28. At all times mentioned GM was engaged in the business of designing,
4 manufacturing, distributing, marketing, selling, leasing, certifying, and warranting the GM cars
5 that are the subject of this Complaint, throughout the State of California, including in Orange
6 County, California.

7 **IV. JURISDICTION AND VENUE**

8 29. This Court has jurisdiction over this matter pursuant to the California Constitution,
9 Article XI, section 10 and California Code of Civil Procedure (“CCP”) section 410.10 because GM
10 transacted business and committed the acts complained of herein in California, specifically in the
11 County of Orange. The violations of law alleged herein were committed in Orange County and
12 elsewhere within the State of California.

13 30. Venue is proper in Orange County, California, pursuant to CCP section 395 and
14 because many of the acts complained about occurred in Orange County.

15 **V. FACTUAL BACKGROUND**

16 **A. There Are Serious Safety Defects in Millions of GM Vehicles Across Many Models
17 and Years, and, Until Recently, GM Concealed them from Consumers.**

18 31. In the first five and a half months of 2014, GM announced some 40 recalls affecting
19 over 17 million GM-branded vehicles from model years 2003-2014. The recalls concern 35
20 separate defects. The numbers of recalls and serious safety defects are unprecedented, and can
21 only lead to one conclusion: GM and its predecessor sold a large number of unsafe vehicle models
22 with myriad defects during a long period of time.

23 32. Even more disturbingly, the available evidence shows a common pattern: From its
24 inception in 2009, GM knew about an ever-growing list of serious safety defects in millions of
25 GM-branded vehicles, but concealed them from consumers and regulators in order to boost sales
26 and avoid the cost and publicity of recalls.

27 33. GM inherited from Old GM a company that valued cost-cutting over safety, actively
28 discouraged its personnel from taking a “hard line” on safety issues, avoided using “hot” words

1 like “stall” that might attract the attention of NHTSA and suggest that a recall was required, and
2 trained its employees to avoid the use of words such as “defect” that might flag the existence of a
3 safety issue. GM did nothing to change these practices.

4 34. The Center for Auto Safety recently stated that it has identified 2,004 death and
5 injury reports filed by GM with federal regulators in connection with vehicles that have recently
6 been recalled.⁴ Many of these deaths and injuries would have been avoided had GM complied with
7 its TREAD Act obligations over the past five years.

8 35. The many defects concealed by GM affected key safety systems in GM vehicles,
9 including the ignition, power steering, airbags, brake lights, gear shift systems, and seatbelts.

10 36. The available evidence shows a consistent pattern: GM learned about a particular
11 defect and, often at the prodding of regulatory authorities, “investigated” the defect and decided
12 upon a “root cause.” GM then took minimal action – such as issuing a carefully-worded
13 “Technical Service Bulletin” to its dealers, or even recalling a very small number of affected
14 vehicles. All the while, the true nature and scope of the defects were kept under wraps, vehicles
15 affected by the defects remained on the road, and GM enticed consumers to purchase its vehicles
16 by touting the safety, quality, and reliability of its vehicles, and presenting itself as a manufacturer
17 that stands behind its products.

18 37. The nine defects affecting the greatest number of vehicles are discussed in some
19 detail below, and the remainder are summarized thereafter.

20 **1. The ignition switch defects.**

21 38. The ignition switch defects can cause the vehicle’s engine and electrical systems to
22 shut off, disabling the power steering and power brakes and causing non-deployment of the
23 vehicle’s airbag and the failure of the vehicle’s seatbelt pretensioners in the event of a crash.

24 39. The ignition switch systems at issue are defective in at least three major respects.
25 The first is that the switches are simply weak; because of a faulty “detent plunger,” the switch can
26 inadvertently move from the “run” to the “accessory” or “off” position.

27
28 ⁴ See *Thousands of Accident Reports Filed Involving Recalled GM Cars: Report*, Irvin Jackson
(June 3, 2014).

1 40. The second defect is that, due to the low position of the ignition switch, the driver's
2 knee can easily bump the key (or the hanging fob below the key), and cause the switch to
3 inadvertently move from the "run" to the "accessory" or "off" position.

4 41. The third defect is that the airbags immediately become inoperable whenever the
5 ignition switch moves from the "run" to the "accessory" position. As NHTSA's Acting
6 Administrator, David Friedman, recently testified before Congress, NHTSA is not convinced that
7 the non-deployment of the airbags in the recalled vehicles is solely attributable to a mechanical
8 defect involving the ignition switch:

9 And it may be even more complicated than that, actually. And that's
10 one of the questions that we actually have in our timeliness query to
11 General Motors. It is possible that it's not simply that the – the
12 power was off, but a much more complicated situation where the
13 very specific action of moving from on to the accessory mode is what
14 didn't turn off the power, but may have disabled the algorithm.

15 That, to me, frankly, doesn't make sense. From my perspective, if a
16 vehicle – certainly if a vehicle is moving, the airbag's algorithm
17 should require those airbags to deploy. Even if the – even if the
18 vehicle is stopped and you turn from 'on' to 'accessory,' I believe
19 that the airbags should be able to deploy.

20 So this is exactly why we're asking General Motors this question, to
21 understand is it truly a power issue or is there something embedded
22 in their [software] algorithm that is causing this, something that
23 should have been there in their algorithm.⁵

24 42. Vehicles with defective ignition switches are, therefore, unreasonably prone to be
25 involved in accidents, and those accidents are unreasonably likely to result in serious bodily harm
26 or death to the drivers and passengers of the vehicles.

27 43. Alarming, GM knew of the deadly ignition switch defects and at least some of
28 their dangerous consequences from the date of its inception on July 10, 2009, but concealed its
29 knowledge from consumers and regulators.

30 44. In part, GM's knowledge of the ignition switch defects arises from the fact that key
31 personnel with knowledge of the defects remained in their same positions once GM took over from
32 Old GM.

⁵ Congressional Transcript, Testimony of David Friedman, Acting Administrator of NHTSA
(Apr. 2, 2014), at 19.

1 45. For example, the Old GM Design Research Engineer who was responsible for the
2 rollout of the defective ignition switch in 2003 was Ray DeGiorgio. Mr. DeGiorgio continued to
3 serve as an engineer at GM until April 2014 when he was suspended as a result of his involvement in
4 the defective ignition switch problem. Later in 2014, in the wake of the GM Report,⁶ Mr. DeGiorgio
5 was fired.

6 46. In 2001, two years *before* vehicles with the defective ignition switches were ever
7 available to consumers, Old GM privately acknowledged in an internal pre-production report for
8 the model/year (“MY”) 2003 Saturn Ion that there were problems with the ignition switch.⁷ Old
9 GM’s own engineers had personally experienced problems with the ignition switch. In a section of
10 the internal report titled “Root Cause Summary,” Old GM engineers identified “two causes of
11 failure,” namely: “[I]ow contact force and low detent plunger force.”⁸ The report also stated that
12 the GM person responsible for the issue was Ray DeGiorgio.⁹

13 47. Mr. DeGiorgio actively concealed the defect, both while working for Old GM *and*
14 while working for GM.

15 48. Similarly, Gary Altman was Old GM’s program-engineering manager for the
16 Cobalt, which is one of the models with the defective ignition switches and hit the market in MY
17 2005. He remained as an engineer at GM until he was suspended on April 10, 2014, by GM for his
18 role in the ignition switch problem and then fired in the wake of the GM Report.

19 49. On October 29, 2004, Mr. Altman test-drove a Cobalt. While he was driving, his
20 knee bumped the key and the vehicle shut down.

21 50. In response to the Altman incident, Old GM opened an engineering inquiry, known
22 as a “Problem Resolution Tracking System inquiry” (“PRTS”), to investigate the issue. According
23 to the chronology provided to NHTSA by GM in March 2014, engineers pinpointed the problem
24 and were “able to replicate this phenomenon during test drives.”

25
26 ⁶ References to the “GM Report” are to the “*Report to Board of Directors of General Motors Company Regarding Ignition Switch Recalls*,” Anton R. Valukas, Jenner & Block (May 29, 2014).

27 ⁷ GM Report/Complaint re “Electrical Concern” opened July 31, 2001, GMHEC000001980-90.

28 ⁸ *Id.* at GMHEC000001986.

⁹ *Id.* at GMHEC000001981, 1986.

1 51. The PRTS concluded in 2005 that:

2 There are two main reasons that we believe can cause a lower effort
3 in turning the key:

- 4 1. A low torque detent in the ignition switch and
5 2. A low position of the lock module in the column.¹⁰

6 52. The 2005 PRTS further demonstrates the knowledge of Ray DeGiorgio (who, like
7 Mr. Altman, worked for Old GM and continued until very recently working for GM), as the
8 PRTS's author states that "[a]fter talking to Ray DeGiorgio, I found out that it is close to
9 impossible to modify the present ignition switch. The switch itself is very fragile and doing any
10 further changes will lead to mechanical and/or electrical problems."¹¹

11 53. Gary Altman, program engineering manager for the 2005 Cobalt, recently admitted
12 that Old GM engineering managers (including himself and Mr. DeGiorgio) knew about ignition
13 switch problems in the vehicle that could disable power steering, power brakes, and airbags, but
14 launched the vehicle anyway because they believed that the vehicles could be safely coasted off the
15 road after a stall. Mr. Altman insisted that "the [Cobalt] was maneuverable and controllable" with
16 the power steering and power brakes inoperable.

17 54. Incredibly, GM now claims that it and Old GM did not view vehicle stalling and the
18 loss of power steering as a "safety issue," but only as a "customer convenience" issue.¹² GM bases
19 this claim on the equally incredible assertion that, at least for some period of time, it was not aware
20 that when the ignition switch moves to the "accessory" position, the airbags become inoperable –
21 even though Old GM itself designed the airbags to not deploy under that circumstance.¹³

22 55. Even crediting GM's claim that some at the Company were unaware of the rather
23 obvious connection between the defective ignition switches and airbag non-deployment, a stall and
24 loss of power steering and power brakes is a serious safety issue under any objective view. GM

25
26 ¹⁰ Feb. 1, 2005 PRTS at GMHEC000001733.

27 ¹¹ *Id.*

28 ¹² GM Report at 2.

¹³ *Id.*

1 *itself* recognized in 2010 that a loss of power steering *standing alone* was grounds for a safety
2 recall, as it did a recall on such grounds.

3 56. In fact, as multiple GM employees confirm, GM *intentionally* avoids using the
4 word “stall” “because such language might draw the attention of NHTSA” and “may raise a
5 concern about safety, which suggests GM should recall the vehicle....”¹⁴

6 57. Rather than publicly admitting the dangerous safety defects in the vehicles with the
7 defective ignition switches, GM attempted to attribute these and other incidents to “driver error.”
8 GM continued to receive reports of deaths in Cobalts involving steering and/or airbag failures from
9 its inception up through at least 2012.

10 58. In April 2006, the GM design engineer who was responsible for the ignition switch
11 in the recalled vehicles, Design Research Engineer Ray DeGiorgio, authorized part supplier Delphi
12 to implement changes to fix the ignition switch defect.¹⁵ The design change “was implemented to
13 increase torque performance in the switch.”¹⁶ However, testing showed that, even with the
14 proposed change, the performance of the ignition switch was *still* below original specifications.¹⁷

15 59. Modified ignition switches – with greater torque – started to be installed in 2007
16 model/year vehicles.¹⁸ In what a high-level engineer at Old GM now calls a “cardinal sin” and “an
17 extraordinary violation of internal processes,” Old GM changed the part design *but kept the old*
18 *part number*.¹⁹ That makes it impossible to determine from the part number alone which GM
19 vehicles produced after 2007 contain the defective ignition switches.

20 60. At a May 15, 2009 meeting, Old GM engineers (soon to be GM engineers) learned
21 that data in the black boxes of Chevrolet Cobalts showed that the dangerous ignition switch defects
22

23
24 ¹⁴ GM Report at 92-93.

25 ¹⁵ General Motors Commodity Validation Sign-Off (Apr. 26, 2006), GMHEC000003201. *See also* GM Mar. 11, 2014 Ltr. to NHTSA, attached chronology at 2.

26 ¹⁶ *Id.*

27 ¹⁷ Delphi Briefing, Mar. 27, 2014.

28 ¹⁸ GM Mar. 11, 2014 Ltr. to NHTSA, attached chronology at 2.

¹⁹ “‘Cardinal sin’: Former GM engineers say quiet ‘06 redesign of faulty ignition switch was a major violation of protocol.” *Automotive News* (Mar. 26, 2014).

1 existed in hundreds of thousands of Defective Vehicles. But still GM did not reveal the defect to
2 NHTSA, Plaintiff, or consumers.

3 61. After the May 15, 2009 meeting, GM continued to get complaints of unintended
4 shut down and continued to investigate frontal crashes in which the airbags did not deploy.

5 62. After the May 15, 2009 meeting, GM told the families of accident victims related to
6 the ignition switch defects that it did not have sufficient evidence to conclude that there was any
7 defect. In one case involving the ignition switch defects, GM threatened to sue the family of an
8 accident victim for reimbursement of its legal fees if the family did not dismiss its lawsuit. In
9 another, GM sent the victim's family a terse letter, saying there was no basis for any claims against
10 GM. These statements were part of GM's campaign of deception.

11 63. In July 2011, GM legal staff and engineers met regarding an investigation of crashes
12 in which the air bags did not deploy. The next month, in August 2011, GM initiated a Field
13 Performance Evaluation ("FPE") to analyze multiple frontal impact crashes involving MY 2005-
14 2007 Chevrolet Cobalt vehicles and 2007 Pontiac G5 vehicles, as well as a review of information
15 related to the Ion, HHR, and Solstice vehicles, and airbag non-deployment.²⁰

16 64. GM continued to conceal and deny what it privately knew – that the ignition
17 switches were defective. For example, in May 2012, GM engineers tested the torque of the
18 ignition switches in numerous Old GM vehicles.²¹ The results from the GM testing showed that
19 the majority of the vehicles tested from the 2003 to 2007 model/years had torque performance at or
20 below 10 Newton centimeters ("Ncm"), which was below the original design specifications
21 required by GM.²² Around the same time, high ranking GM personnel continued to internally
22 review the history of the ignition switch issue.²³

23 65. In September 2012, GM had a GM Red X Team Engineer (a special engineer
24 assigned to find the root cause of an engineering design defect) examine the changes between the
25

26 ²⁰ GM Mar. 11, 2014 Ltr. to NHTSA, attached chronology at 2.

27 ²¹ GMHEC000221427; *see also* Mar. 11, 2014 Ltr. to NHTSA, attached chronology.

28 ²² *Id.*

²³ GMHEC000221438.

1 2007 and 2008 Chevrolet Cobalt models following reported crashes where the airbags failed to
2 deploy and the ignition switch was found in the “off” or “accessory” position.²⁴

3 66. The next month, in October of 2012, Design Research Engineer Ray DeGiorgio (the
4 lead engineer on the defective ignition switch) sent an email to Brian Stouffer of GM regarding the
5 “2005-7 Cobalt and Ignition Switch Effort,” stating: “If we replaced switches on ALL the model
6 years, i.e., 2005, 2006, 2007 the piece price would be about \$10.00 per switch.”²⁵

7 67. The October 2012 email makes clear that GM considered implementing a recall to
8 fix the defective ignition switches in the Chevy Cobalt vehicles, but declined to do so in order to
9 save money.

10 68. In April 2013, GM again *internally* acknowledged that it understood that there was
11 a difference in the torque performance between the ignition switch parts in later model Chevrolet
12 Cobalt vehicles compared with the 2003-2007 model/year vehicles.²⁶

13 69. Notwithstanding what GM actually knew and privately acknowledged,²⁷ its public
14 statements and position in litigation was radically different. For example, in May 2013, Brian
15 Stouffer testified in deposition in a personal injury action (*Melton v. General Motors*) that the Ncm
16 performance (a measurement of the strength of the ignition switch) was *not* substantially different
17 as between the early (*e.g.*, 2005) and later model year (*e.g.*, 2008) Chevrolet Cobalt vehicles.²⁸

18 70. Similarly, a month before Mr. Stouffer’s testimony, in April 2013, GM engineer
19 Ray DeGiorgio denied the existence of any type of ignition switch defect:

20 Q: Did you look at, as a potential failure mode for this switch, the
21 ease of which the key could be moved from run to accessory?

22 . . .

23
24 ²⁴ Email from GM Field Performance Assessment Engineer to GM Red X Team Engineer
(Sept. 6, 2012, 1:29:14 p.m., GMHEC000136204).

25 ²⁵ GMHEC000221539.

26 ²⁶ GM Mar. 11, 2014 Ltr. to NHTSA, attached chronology at 4.

27 ²⁷ See GMHEC000221427.

28 ²⁸ GMHEC000146933. That said, “[t]he modified switches used in 2007-2011 vehicles were
also approved by GM despite not meeting company specifications.” Mar. 31, 2014 Ltr. to Mary
Barra from H. Waxman, D. DeGette, and J. Schankowsky.

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1 THE WITNESS: No, because in our minds, moving the key from, I
2 want to say, *run to accessory is not a failure mode, it is an expected*
3 *condition*. It is important for the customer to be able to rotate the
key fore and aft, so as long as we meet those requirements, *it's not*
deemed as a risk.

4 Q: Well, it's not expected to move from run to accessory when
5 you're driving down the road at 55 miles an hour, is it?

6 ...

7 THE WITNESS: *It is expected for the key to be easily and*
8 *smoothly transitioned from one state to the other* without binding
and without harsh actuations.

9 Q: And why do you have a minimum torque requirement from run to
accessory?

10 ...

11 THE WITNESS: It's a design feature that is required. You don't
12 want anything flopping around. You want to be able to control the
dimensions and basically provide – one of the requirements in this
13 document talks about having a smooth transition from detent to
detent. One of the criticisms – I shouldn't say criticisms. One of the
14 customer complaints we have had in the – and previous to this was
he had cheap feeling switches, they were cheap feeling, they were
15 higher effort, and the intent of this design was to provide a smooth
actuation, provide a high feeling of a robust design. That was the
intent.

16 Q: I assume the intent was also to make sure that when people were
17 using the vehicle under ordinary driving conditions, that if the key
was in the run position, it wouldn't just move to the accessory
18 position, correct?

19 ...

20 A: That is correct, but also – it was not intended – *the intent was to*
21 *make the transition to go from run to off with relative ease.*²⁹

22 71. Brian Stouffer, in an email to Delphi regarding the ignition switch in the Chevy
Cobalt, acknowledged that the ignition switch in early Cobalt vehicles – although bearing the same
23 part number – was different than the ignition switch in later Cobalt vehicles.³⁰ Mr. Stouffer
24 claimed that “[t]he discovery of the plunger and spring change was made aware to GM during a
25

26
27
28 ²⁹ GMHEC000138906 (emphasis added).

³⁰ GMHEC000003197.

1 [sic] course of a lawsuit (*Melton v. GM*).”³¹ Delphi personnel responded that GM had authorized
2 the change back in 2006 but the part number had remained the same.³²

3 72. Eventually, the defect could no longer be ignored or swept under the rug.

4 73. After analysis by GM’s Field Performance Review Committee and the Executive
5 Field Action Decision Committee (“EFADC”), the EFADC finally ordered a recall of *some* of the
6 vehicles with defective ignition switches on January 31, 2014.

7 74. Initially, the EFADC ordered a recall of only the Chevrolet Cobalt and Pontiac G5
8 for model years 2005-2007.

9 75. After additional analysis, the EFADC expanded the recall on February 24, 2014, to
10 include the Chevrolet HHR and Pontiac Solstice for model years 2006 and 2007, the Saturn Ion for
11 model years 2003-2007, and the Saturn Sky for model year 2007.

12 76. Most recently, on March 28, 2014, GM expanded the recall a third time, to include
13 Chevrolet Cobalts, Pontiac G5s and Solstices, Saturn Ions and Skys from the 2008 through 2010
14 model years, and Chevrolet HHRs from the 2008 through 2011 model years.

15 77. All told, GM has recalled some 2.19 million vehicles in connection with the ignition
16 switch defect.

17 78. In a video message addressed to GM employees on March 17, 2014, CEO Mary
18 Barra admitted that the Company had made mistakes and needed to change its processes.

19 79. According to Ms. Barra, “[s]omething went terribly wrong in our processes in this
20 instance, and terrible things happened.” Barra went on to promise, “[w]e will be better because of
21 this tragic situation if we seize this opportunity.”³³

22 80. Based on its egregious conduct in concealing the ignition switch defect, GM
23 recently agreed to pay the maximum possible civil penalty in a Consent Order with the National
24 Highway Traffic Safety Administration (“NHTSA”) and admitted that it had violated its legal
25 obligations to promptly disclose the existence of known safety defects.

26
27 ³¹ *Id.* See also GMHEC000003156-3180.

28 ³² See GMHEC000003192-93.

³³ “*Something Went ‘Very Wrong’ at G.M., Chief Says.*” N.Y. TIMES (Mar. 18, 2014).

1 **2. The power steering defect.**

2 81. Between 2003 and 2010, over 1.3 million GM-branded vehicles in the United States
3 were sold with a safety defect that causes the vehicle's electric power steering ("EPS") to suddenly
4 fail during ordinary driving conditions and revert back to manual steering, requiring greater effort
5 by the driver to steer the vehicle and increasing the risk of collisions and injuries.

6 82. As with the ignition switch defects, GM was aware of the power steering defect
7 long before it took anything approaching full remedial action.

8 83. When the power steering fails, a message appears on the vehicle's dashboard, and a
9 chime sounds to inform the driver. Although steering control can be maintained through manual
10 steering, greater driver effort is required, and the risk of an accident is increased.

11 84. In 2010, GM first recalled Chevy Cobalt and Pontiac G5 models for these power
12 steering issues, yet it did *not* recall the many other vehicles that had the very same power steering
13 defect.

14 85. Documents released by NHTSA show that GM waited years to recall nearly
15 335,000 Saturn Ions for power steering failure – despite receiving nearly 4,800 consumer
16 complaints and more than 30,000 claims for warranty repairs. That translates to a complaint rate of
17 14.3 incidents per thousand vehicles and a warranty claim rate of 9.1 percent. By way of
18 comparison, NHTSA has described as "high" a complaint rate of 250 complaints per 100,000
19 vehicles.³⁴ Here, the rate translates to 1430 complaints per 100,000 vehicles.

20 86. In response to the consumer complaints, in September 2011 NHTSA opened an
21 investigation into the power steering defect in Saturn Ions.

22 87. NHTSA database records show complaints from Ion owners as early as June 2004,
23 with the first injury reported in May 2007.

24 88. NHTSA linked approximately 12 crashes and two injuries to the power steering
25 defect in the Ions.

26
27
28 ³⁴ See http://www-odi.nhtsa.dot.gov/cars/problems/defect/-results.cfm?action_number=EA06002&SearchType=QuickSearch&summary=true.

1 89. In 2011, GM missed yet another opportunity to recall the additional vehicles with
2 faulty power steering when CEO Mary Barra – then head of product development – was advised by
3 engineer Terry Woychowski that there was a serious power steering issue in Saturn Ions.
4 Ms. Barra was also informed of the ongoing NHTSA investigation. At the time, NHTSA
5 reportedly came close to concluding that Saturn Ions should have been included in GM’s 2005
6 steering recall of Cobalt and G5 vehicles.

7 90. Yet GM took no action for four years. It wasn’t until March 31, 2014, that GM
8 finally recalled the approximately 1.3 million vehicles in the United States affected by the power
9 steering defect.

10 91. After announcing the March 31, 2014 recall, Jeff Boyer, GM’s Vice President of
11 Global Vehicle Safety, acknowledged that GM recalled some of these same vehicle models
12 previously for the *same issue*, but that GM “did not do enough.”

13 **3. Airbag defect.**³⁵

14 92. From 2007 until at least 2013, nearly 1.2 million GM-branded vehicles in the United
15 States were sold with defective wiring harnesses. Increased resistance in the wiring harnesses of
16 driver and passenger seat-mounted, side-impact air bag (“SIAB”) in the affected vehicles may
17 cause the SIABs, front center airbags, and seat belt pretensioners to not deploy in a crash. The
18 vehicles’ failure to deploy airbags and pretensioners in a crash increases the risk of injury and
19 death to the drivers and front-seat passengers.

20 93. Once again, GM knew of the dangerous airbag defect long before it took anything
21 approaching the requisite remedial action.

22 94. As the wiring harness connectors in the SIABs corrode or loosen over time,
23 resistance will increase. The airbag sensing system will interpret this increase in resistance as a
24 fault, which then triggers illumination of the “SERVICE AIR BAG” message on the vehicle’s
25 dashboard. This message may be intermittent at first and the airbags and pretensioners will still
26

27
28 ³⁵ This defect is distinct from the airbag component of the ignition switch defect discussed
above and from other airbag defects affecting a smaller number of vehicles, discussed below.

1 deploy. But over time, the resistance can build to the point where the SIABs, pretensioners, and
2 front center airbags will not deploy in the event of a collision.³⁶

3 95. The problem apparently arose when GM made the switch from using gold-plated
4 terminals to connect its wire harnesses to cheaper tin terminals in 2007.

5 96. In June 2008, Old GM noticed increased warranty claims for airbag service on
6 certain of its vehicles and determined it was due to increased resistance in airbag wiring. After
7 analysis of the tin connectors in September 2008, Old GM determined that corrosion and wear to
8 the connectors was causing the increased resistance in the airbag wiring. It released a technical
9 service bulletin on November 25, 2008, for 2008-2009 Buick Enclaves, 2009 Chevy Traverse,
10 2008-2009 GMC Acadia, and 2008-2009 Saturn Outlook models, instructing dealers to repair the
11 defect by using Nyogel grease, securing the connectors, and adding slack to the line. Old GM also
12 began the transition back to gold-plated terminals in certain vehicles. At that point, Old GM
13 suspended all investigation into the defective airbag wiring and took no further action.³⁷

14 97. In November 2009, GM learned of similar reports of increased airbag service
15 messages in 2010 Chevy Malibu and 2010 Pontiac G6 vehicles. After investigation, GM
16 concluded that corrosion and wear in the same tin connector was the root of the airbag problems in
17 the Malibu and G6 models.³⁸

18 98. In January 2010, after review of the Malibu and G6 airbag connector issues, GM
19 concluded that ignoring the service airbag message could increase the resistance such that an SIAB
20 might not deploy in a side impact collision. On May 11, 2010, GM issued a Customer Satisfaction
21 Bulletin for the Malibu and G6 models and instructed dealers to secure both front seat-mounted,
22 side-impact airbag wire harnesses and, if necessary, reroute the wire harness.³⁹

23 99. From February to May 2010, GM revisited the data on vehicles with faulty harness
24 wiring issues, and noted another spike in the volume of the airbag service warranty claims. This
25

26 ³⁶ See GM Notice to NHTSA dated March 17, 2014, at 1.

27 ³⁷ See GM Notification Campaign No. 14V-118 dated March 31, 2014, at 1-2.

28 ³⁸ See *id.*, at 2.

³⁹ See *id.*

1 led GM to conclude that the November 2008 bulletin was “not entirely effective in correcting the
2 [wiring defect present in the vehicles].” On November 23, 2010, GM issued another Customer
3 Satisfaction Bulletin for certain 2008 Buick Enclave, 2008 Saturn Outlook, and 2008 GMC Acadia
4 models built from October 2007 to March 2008, instructing dealers to secure SIAB harnesses and
5 re-route or replace the SIAB connectors.⁴⁰

6 100. GM issued a revised Customer Service Bulletin on February 3, 2011, requiring
7 replacement of the front seat-mounted side-impact airbag connectors in the same faulty vehicles
8 mentioned in the November 2010 bulletin. In July 2011, GM again replaced its connector, this
9 time with a Tyco-manufactured connector featuring a silver-sealed terminal.⁴¹

10 101. But in 2012, GM noticed another spike in the volume of warranty claims relating to
11 SIAB connectors in vehicles built in the second half of 2011. After further analysis of the Tyco
12 connectors, it discovered that inadequate crimping of the connector terminal was causing increased
13 system resistance. In response, GM issued an internal bulletin for 2011-12 Buick Enclave, Chevy
14 Traverse, and GMC Acadia vehicles, recommending dealers repair affected vehicles by replacing
15 the original connector with a new sealed connector.⁴²

16 102. The defect was still uncured, however, because in 2013 GM again marked an
17 increase in service repairs and buyback activity due to illuminated airbag service lights. On
18 October 4, 2013, GM opened an investigation into airbag connector issues in 2011-2013 Buick
19 Enclave, Chevy Traverse, and GMC Acadia models. The investigation revealed an increase in
20 warranty claims for vehicles built in late 2011 and early 2012.⁴³

21 103. On February 10, 2014, GM concluded that corrosion and crimping issues were again
22 the root cause of the airbag problems.⁴⁴

23 104. GM initially planned to issue a less-urgent Customer Satisfaction Program to
24 address the airbag flaw in the 2010-2013 vehicles. But it wasn’t until a call with NHTSA on

25 ⁴⁰ See *id.*, at 3.

26 ⁴¹ See *id.*

27 ⁴² See *id.*, at 4.

28 ⁴³ See *id.*

⁴⁴ See *id.*, at 5.

1 March 14, 2014, that GM finally issued a full-blown safety recall on the vehicles with the faulty
2 harness wiring – years after it first learned of the defective airbag connectors, after four
3 investigations into the defect, and after issuing at least six service bulletins on the topic. The recall
4 as first approved covered only 912,000 vehicles, but on March 16, 2014, it was increased to cover
5 approximately 1.2 million vehicles.⁴⁵

6 105. On March 17, 2014, GM issued a recall for 1,176,407 vehicles potentially afflicted
7 with the defective airbag system. The recall instructs dealers to remove driver and passenger SIAB
8 connectors and splice and solder the wires together.⁴⁶

9 **4. The brake light defect.**

10 106. Between 2004 and 2012, approximately 2.4 million GM-branded vehicles in the
11 United States were sold with a safety defect that can cause brake lamps to fail to illuminate when
12 the brakes are applied or to illuminate when the brakes are not engaged; the same defect can
13 disable cruise control, traction control, electronic stability control, and panic brake assist operation,
14 thereby increasing the risk of collisions and injuries.⁴⁷

15 107. Once again, GM knew of the dangerous brake light defect for years before it took
16 anything approaching the requisite remedial action. In fact, although the brake light defect has
17 caused at least 13 crashes since 2008, GM did not recall all 2.4 million vehicles with the defect
18 until May 2014.

19 108. The vehicles with the brake light defect include the 2004-2012 Chevrolet Malibu,
20 the 2004-2007 Malibu Maxx, the 2005-2010 Pontiac G6, and the 2007-2010 Saturn Aura.⁴⁸

21 109. According to GM, the brake defect originates in the Body Control Module (BCM)
22 connection system. “Increased resistance can develop in the [BCM] connection system and result
23 in voltage fluctuations or intermittency in the Brake Apply Sensor (BAS) circuit that can cause
24
25

26 ⁴⁵ See *id.*

27 ⁴⁶ See *id.*

28 ⁴⁷ See GM Notification Campaign No. 14V-252 dated May 28, 2014, at 1.

⁴⁸ *Id.*

1 service brakes lamp malfunction.”⁴⁹ The result is brake lamps that may illuminate when the brakes
2 are not being applied and may not illuminate when the brakes are being applied.⁵⁰

3 110. The same defect can also cause the vehicle to get stuck in cruise control if it is
4 engaged, or cause cruise control to not engage, and may also disable the traction control, electronic
5 stability control, and panic-braking assist features.⁵¹

6 111. GM now acknowledges that the brake light defect “may increase the risk of a
7 crash.”⁵²

8 112. As early as September 2008, NHTSA opened an investigation for model year 2005-
9 2007 Pontiac G6 vehicles involving allegations that the brake lights may turn on when the driver
10 had not depressed the brake pedal and may turn on when the brake pedal was depressed.⁵³

11 113. During its investigation of the brake light defect in 2008, Old GM found elevated
12 warranty claims for the brake light defect for MY 2005 and 2006 vehicles built in January 2005,
13 and found “fretting corrosion in the BCM C2 connector was the root cause” of the problem.⁵⁴ Old
14 GM and its part supplier Delphi decided that applying dielectric grease to the BCM C2 connector
15 would be “an effective countermeasure to the fretting corrosion.”⁵⁵ Beginning in November of
16 2008, the company began applying dielectric grease in its vehicle assembly plants.⁵⁶

17 114. On December 4, 2008, Old GM issued a TSB recommending the application of
18 dielectric grease to the BCM C2 connector for the MY 2005-2009, Pontiac G6, 2004-2007
19 Chevrolet Malibu/Malibu Maxx and 2008 Malibu Classic and 2007-2009 Saturn Aura vehicles.⁵⁷
20 One month later, in January 2009, Old GM recalled only a small subset of the vehicles with the
21

22 ⁴⁹ *Id.*

23 ⁵⁰ *Id.*

24 ⁵¹ *Id.*

25 ⁵² *Id.*

26 ⁵³ *Id.* at 2.

27 ⁵⁴ *Id.*

28 ⁵⁵ *Id.*

⁵⁶ *Id.* at 3.

⁵⁷ *Id.* at 2.

1 brake light defect – 8,000 MY 2005-2006 Pontiac G6 vehicles built during the month of January,
2 2005.⁵⁸

3 115. Not surprisingly, the brake light problem was far from resolved.

4 116. In October 2010, GM released an updated TSB regarding “intermittent brake lamp
5 malfunctions,” and added MY 2008-2009 Chevrolet Malibu/Malibu Maxx vehicles to the list of
6 vehicles for which it recommended the application of dielectric grease to the BCM C2 connector.⁵⁹

7 117. In September of 2011, GM received an information request from Canadian
8 authorities regarding brake light defect complaints in vehicles that had not yet been recalled. Then,
9 in June 2012, NHTSA provided GM with additional complaints “that were outside of the build
10 dates for the brake lamp malfunctions on the Pontiac G6” vehicles that had been recalled.⁶⁰

11 118. In February of 2013, NHTSA opened a “Recall Query” in the face of 324
12 complaints “that the brake lights do not operate properly” in Pontiac G6, Malibu and Aura vehicles
13 that had not yet been recalled.⁶¹

14 119. In response, GM asserts that it “investigated these occurrences looking for root
15 causes that could be additional contributors to the previously identified fretting corrosion,” but that
16 it continued to believe that “fretting corrosion in the BCM C2 connector” was the “root cause” of
17 the brake light defect.⁶²

18 120. In June of 2013, NHTSA upgraded its “Recall Query” concerning brake light
19 problems to an “Engineering Analysis.”⁶³

20 121. In August 2013, GM found an elevated warranty rate for BCM C2 connectors in
21 vehicles built *after* Old GM had begun applying dielectric grease to BCM C2 connectors at its
22
23

24 ⁵⁸ *Id.*

25 ⁵⁹ *Id.*

26 ⁶⁰ *Id.*

27 ⁶¹ *Id.* at 3.

28 ⁶² *Id.*

⁶³ *Id.*

1 assembly plants in November of 2008.⁶⁴ In November of 2013, GM concluded that “the amount of
2 dielectric grease applied in the assembly plant starting November 2008 was insufficient....”⁶⁵

3 122. Finally, in March of 2014, “GM engineering teams began conducting analysis and
4 physical testing to measure the effectiveness of potential countermeasures to address fretting
5 corrosion. As a result, GM determined that additional remedies were needed to address fretting
6 corrosion.”⁶⁶

7 123. On May 7, 2014, GM’s Executive Field Action Decision Committee finally decided
8 to conduct a safety recall.

9 124. According to GM, “Dealers are to attach the wiring harness to the BCM with a
10 spacer, apply dielectric lubricant to both the BCM CR and harness connector, and on the BAS and
11 harness connector, and relearn the brake pedal home position.”⁶⁷

12 125. Once again, GM sat on and concealed its knowledge of the brake light defect, and
13 did not even consider available countermeasures (other than the application of grease that had
14 proven ineffective) until March of this year.

15 **5. Shift cable defect**

16 126. From 2004 through 2010, more than 1.1 million GM-branded vehicles were sold
17 throughout the United States with a dangerously defective transmission shift cable. The shift cable
18 may fracture at any time, preventing the driver from switching gears or placing the transmission in
19 the “park” position. According to GM, “[i]f the driver cannot place the vehicle in park, and exits
20 the vehicle without applying the park brake, the vehicle could roll away and a crash could occur
21 without prior warning.”⁶⁸

22 127. Yet again, GM knew of the shift cable defect long before it issued the recent recall
23 of more than 1.1 million vehicles with the defect.

24
25

⁶⁴ *Id.*

26 ⁶⁵ *Id.*

27 ⁶⁶ *Id.* at 4.

28 ⁶⁷ *Id.*

⁶⁸ See GM letter to NHTSA Re: NHTSA Campaign No. 14V-224 dated May 22, 2014, at 1.

1 128. In May of 2011, NHTSA informed GM that it had opened an investigation into
2 failed transmission cables in 2007 model year Saturn Aura vehicles. In response, GM noted “a
3 cable failure model in which a tear to the conduit jacket could allow moisture to corrode the
4 interior steel wires, resulting in degradation of shift cable performance, and eventually, a possible
5 shift cable failure.”⁶⁹

6 129. Upon reviewing these findings, GM’s Executive Field Action Committee conducted
7 a “special coverage field action for the 2007-2008 MY Saturn Aura vehicles equipped with 4 speed
8 transmissions and built with Leggett & Platt cables.” GM apparently chose that cut-off date
9 because, on November 1, 2007, Kongsberg Automotive replaced Leggett & Platt as the cable
10 provider.⁷⁰

11 130. GM did not recall any of the vehicles with the shift cable defect at this time, and
12 limited its “special coverage field action” to the 2007-2008 Aura vehicles even though “the same
13 or similar Leggett & Platt cables were used on ... Pontiac G6 and Chevrolet Malibu (MMX380)
14 vehicles.”

15 131. In March 2012, NHTSA sent GM an Engineering Assessment request to investigate
16 transmission shift cable failures in 2007-2008 MY Auras, Pontiac G6s, and Chevrolet Malibus.⁷¹

17 132. In responding to the Engineering Assessment request, GM for the first time “noticed
18 elevated warranty rates in vehicles built with Kongsberg shift cables.” Similar to their predecessor
19 vehicles built with Leggett & Platt shift cables, in the vehicles built with Kongsberg shift cables
20 “the tabs on the transmission shift cable end may fracture and separate without warning, resulting
21 in failure of the transmission shift cable and possible unintended vehicle movement.”⁷²

22 133. Finally, on September 13, 2012, the Executive Field Action Decision Committee
23 decided to conduct a safety recall. This initial recall was limited to 2008-2010 MY Saturn Aura,
24 Pontiac G6, and Chevrolet Malibu vehicles with 4-speed transmission built with Kongsberg shifter
25

26 ⁶⁹ *Id.* at 2.

27 ⁷⁰ *Id.*

28 ⁷¹ *Id.*

⁷² *Id.*

1 cables, as well as 2007-2008 MY Saturn Aura and 2005-2007 MY Pontiac G6 vehicles with 4-
2 speed transmissions which may have been serviced with Kongsberg shift cables.⁷³

3 134. But the shift cable problem was far from resolved.

4 135. In March of 2013, NHTSA sent GM a second Engineering Assessment concerning
5 allegations of failure of the transmission shift cables on all 2007-2008 MY Saturn Aura, Chevrolet
6 Malibu, and Pontiac G6 vehicles.⁷⁴

7 136. GM continued its standard process of “investigation” and delay. But by May 9,
8 2014, GM was forced to concede that “the same cable failure mode found with the Saturn Aura 4-
9 speed transmission” was present in a wide population of vehicles.⁷⁵

10 137. Finally, on May 19, 2014, GM’s Executive Field Actions Decision Committee
11 decided to conduct a safety recall of more than 1.1 million vehicles with the defective shift cable
12 issue, including the following models and years (as of May 23, 2014): MY 2007-2008 Chevrolet
13 Saturn; MY 2004-2008 Chevrolet Malibu; MY 2004-2007 Chevrolet Malibu Maxx; and MY 2005-
14 2008 Pontiac G6.

15 **6. Safety belt defect.**

16 138. Between the years 2008-2014, more than 1.4 million GM-branded vehicles were
17 sold with a dangerous safety belt defect. According to GM, “[t]he flexible steel cable that connects
18 the safety belt to the vehicle at the outside of the front outside of the front outboard seating
19 positions can fatigue and separate over time as a result of occupant movement into the seat. In a
20 crash, a separated cable could increase the risk of injury to the occupant.”⁷⁶

21 139. On information and belief, GM knew of the safety belt defect long before it issued
22 the recent recall of more than 1.3 million vehicles with the defect.

23
24
25
26 ⁷³ *Id.*

27 ⁷⁴ *Id.*

28 ⁷⁵ *Id.*

⁷⁶ See GM Notice to NHTSA dated May 19, 2014, at 1.

1 140. While GM has yet to submit its full chronology of events to NHTSA, suffice to say
2 that GM has waited some five years before disclosing this defect. This delay is consistent with
3 GM's long period of concealment of the other defects as set forth above.

4 141. On May 19, 2014, GM's Executive Field Action Decision Committee decided to
5 conduct a recall of the following models and years in connection with the safety belt defect: MY
6 2009-2014 Buick Enclave; MY 2009-2014 Chevrolet Traverse; MY 2009-2014 GMC Acadia; and
7 MY 2009-2010 Saturn Outlook.

8 **7. Ignition lock cylinder defect.**

9 142. On April 9, 2014, GM recalled 2,191,014 GM-branded vehicles to address faulty
10 ignition lock cylinders.⁷⁷ Though the vehicles are the same as those affected by the ignition switch
11 defect,⁷⁸ the lock cylinder defect is distinct.

12 143. In these vehicles, faulty ignition lock cylinders can allow removal of the ignition
13 key while the engine is not in the "Off" position. If the ignition key is removed when the ignition
14 is not in the "Off" position, unintended vehicle motion may occur. That could cause a vehicle
15 crash and injury to the vehicle's occupants or pedestrians. As a result, some of the vehicles with
16 faulty ignition lock cylinders may fail to conform to Federal Motor Vehicle Safety Standard
17 number 114, "*Theft Prevention and Rollaway Prevention*."⁷⁹

18 144. On information and belief, GM was aware of the ignition lock cylinder defect for
19 years before finally acting to remedy it.

20 **8. The Camaro key-design defect.**

21 145. On June 13, 2014, GM recalled more than 500,000 MY 2010-2014 Chevrolet
22 Camaros because a driver's knee can bump the key fob out of the "run" position and cause the
23 vehicle to lose power. This issue that has led to at least three crashes. GM said it learned of the
24 issue which primarily affects drivers who sit close to the steering wheel, during internal testing it
25

26 ⁷⁷ See GM Notice to NHTSA dated April 9, 2014.

27 ⁷⁸ Namely, MY 2005-2010 Chevrolet Cobalts, 2005-2011 Chevrolet HHRs, 2007-2010 Pontiac
28 G5s, 2003-2007 Saturn Ions, and 2007-2010 Saturn Skys.

⁷⁹ GM Notice to NHTSA dated April 9, 2014, at 1.

1 conducted following its massive ignition switch recall earlier this year. GM knows of three crashes
2 that resulted in four minor injuries attributed to this defect.

3 **9. The ignition key defect.**

4 146. On June 16, 2014, GM announced a recall of 3.36 million cars due to a problem
5 with keys that can turn off ignitions and deactivate air bags, a problem similar to the ignition
6 switch defects in the 2.19 million cars recalled earlier in the year.

7 147. The company said that keys laden with extra weight – such as additional keys or
8 objects attached to a key ring – could inadvertently switch the vehicle’s engine off if the car struck
9 a pothole or crossed railroad tracks.

10 148. GM said it was aware of eight accidents and six injuries related to the defect.

11 149. As early as December 2000, drivers of the Chevrolet Impala and the other newly
12 recalled cars began lodging complaints about stalling with the National Highway Traffic Safety
13 Administration. “When foot is taken off accelerator, car will stall without warning,” one driver of
14 a 2000 Cadillac Deville told regulators in December 2000. “Complete electrical system and engine
15 shutdown while driving,” another driver of the same model said in January 2001. “Happened three
16 different times to date. Dealer is unable to determine cause of failure.”

17 150. The vehicles covered include the Buick Lacrosse, model years 2005-09; Chevrolet
18 Impala, 2006-14; Cadillac Deville, 2000-05; Cadillac DTS, 2004-11; Buick Lucerne, 2006-11;
19 Buick Regal LS and RS, 2004-05; and Chevrolet Monte Carlo, 2006-08.

20 **10. At least 26 other defects were revealed by GM in recalls during the first half of**
21 **2014.**

22 151. The nine defects discussed above – and the resultant 12 recalls – are but a subset of
23 the 40 recalls ordered by GM in connection with 35 separate defects during the first five and one-
24 half months of 2014. The additional 26 defects are briefly summarized in the following
25 paragraphs.

26 152. **Transmission oil cooler line defect:** On March 31, 2014, GM recalled 489,936
27 MY 2014 Chevy Silverado, 2014 GMC Sierra, 2014 GMC Yukon, 2014 GMC Yukon XL, 2015
28 Chevy Tahoe, and 2015 Chevy Suburban vehicles. These vehicles may have transmission oil

1 cooler lines that are not securely seated in the fitting. This can cause transmission oil to leak from
2 the fitting, where it can contact a hot surface and cause a vehicle fire.

3 153. **Power management mode software defect:** On January 13, 2014, GM recalled
4 324,970 MY 2014 Chevy Silverado and GMC Sierra Vehicles. When these vehicles are idling in
5 cold temperatures, the exhaust components can overheat, melt nearby plastic parts, and cause an
6 engine fire.

7 154. **Substandard front passenger airbags:** On March 17, 2014, GM recalled 303,013
8 MY 2009-2014 GMC Savana vehicles. In certain frontal impact collisions below the air bag
9 deployment threshold in these vehicles, the panel covering the airbag may not sufficiently absorb
10 the impact of the collision. These vehicles therefore do not meet the requirements of Federal
11 Motor Vehicle Safety Standard number 201, "Occupant Protection in Interior Impact."

12 155. **Light control module defect:** On May 16, 2014, GM recalled 218,214 MY 2004-
13 2008 Chevrolet Aveo (subcompact) and 2004-2008 Chevrolet Optra (subcompact) vehicles. In
14 these vehicles, heat generated within the light control module in the center console in the
15 instrument panel may melt the module and cause a vehicle fire.

16 156. **Front axle shaft defect:** On March 28, 2014, GM recalled 174,046 MY 2013-2014
17 Chevrolet Cruze vehicles. In these vehicles, the right front axle shaft may fracture and separate. If
18 this happens while the vehicle is being driven, the vehicle will lose power and coast to a halt. If a
19 vehicle with a fractured shaft is parked and the parking brake is not applied, the vehicle may move
20 unexpectedly which can lead to accident and injury.

21 157. **Brake boost defect:** On May 13, 2014, GM recalled 140,067 MY 2014 Chevrolet
22 Malibu vehicles. The "hydraulic boost assist" in these vehicles may be disabled; when that
23 happens, slowing or stopping the vehicle requires harder brake pedal force, and the vehicle will
24 travel a greater distance before stopping. Therefore, these vehicles do not comply with Federal
25 Motor Vehicle Safety Standard number 135, "Light Vehicle Brake Systems," and are at increased
26 risk of collision.

27 158. **Low beam headlight defect:** On May 14, 2014, GM recalled 103,158 MY 2005-
28 2007 Chevrolet Corvette vehicles. In these vehicles, the underhood bussed electrical center

1 (UBEC) housing can expand and cause the headlamp low beam relay control circuit wire to bend.
2 When the wire is repeatedly bent, it can fracture and cause a loss of low beam headlamp
3 illumination. The loss of illumination decreases the driver's visibility and the vehicle's conspicuity
4 to other motorists, increasing the risk of a crash.

5 159. **Vacuum line brake booster defect:** On March 17, 2014, GM recalled 63,903 MY
6 2013-2014 Cadillac XTS vehicles. In these vehicles, a cavity plug on the brake boost pump
7 connector may dislodge and allow corrosion of the brake booster pump relay connector. This can
8 have an adverse impact on the vehicle's brakes.

9 160. **Fuel gauge defect:** On April 29, 2014, GM recalled 51,460 MY 2014 Chevrolet
10 Traverse, GMC Acadia and Buick Enclave vehicles. In these vehicles, the engine control module
11 (ECM) software may cause inaccurate fuel gauge readings. An inaccurate fuel gauge may result in
12 the vehicle unexpectedly running out of fuel and stalling, and thereby increases the risk of accident.

13 161. **Acceleration defect:** On April 24, 2014, GM recalled 50,571 MY 2013 Cadillac
14 SRX vehicles. In these vehicles, there may be a three- to four-second lag in acceleration due to
15 faulty transmission control module programming. That lag may increase the risk of a crash.

16 162. **Flexible flat cable airbag defect:** On April 9, 2014, GM recalled 23,247 MY
17 2009-2010 Pontiac Vibe vehicles. These vehicles are susceptible to a failure in the Flexible Flat
18 Cable ("FFC") in the spiral cable assemble connecting the driver's airbag module. When the FFC
19 fails, connectivity to the driver's airbag module is lost and the airbag is deactivated. The resultant
20 failure of the driver's airbag to deploy increases the risk of injury to the driver in the event of a
21 crash.

22 163. **Windshield wiper defect:** On May 14, 2014, GM recalled 19,225 MY 2014
23 Cadillac CTS vehicles. A defect leaves the windshield wipers in these vehicles prone to failure.
24 Inoperative windshield wipers can decrease the driver's visibility and increase the risk of a crash.

25 164. **Brake rotor defect:** On May 7, 2014, GM recalled 8,208 MY 2014 Chevrolet
26 Malibu and Buick LaCrosse vehicles. In these vehicles, GM may have accidentally installed rear
27 brake rotors on the front brakes. The rear rotors are thinner than the front rotors, and the use of
28 rear rotors in the front of the vehicle may result in a front brake pad detaching from the caliper.

1 The detachment of a break pad from the caliper can cause a sudden reduction in braking which
2 lengthens the distance required to stop the vehicle and increases the risk of a crash.

3 165. **Passenger-side airbag defect:** On May 16, 2014, GM recalled 1,402 MY 2015
4 Cadillac Escalade vehicles. In these vehicles, the airbag module is secured to a chute adhered to
5 the backside of the instrument panel with an insufficiently heated infrared weld. As a result, the
6 front passenger-side airbag may only partially deploy in the event of crash, and this will increase
7 the risk of occupant injury. These vehicles do not conform to Federal Motor Vehicle Safety
8 Standard number 208, "Occupant Crash Protection."

9 166. **Electronic stability control defect:** On March 26, 2014, GM recalled 656 MY
10 2014 Cadillac ELR vehicles. In these vehicles, the electronic stability control (ESC) system
11 software may inhibit certain ESC diagnostics and fail to alert the driver that the ESC system is
12 partially or fully disabled. Therefore, these vehicles fail to conform to Federal Motor Vehicle
13 Safety Standard number 126, "Electronic Stability Control Systems." A driver who is not alerted
14 to an ESC system malfunction may continue driving with a disabled ESC system. That may result
15 in the loss of directional control, greatly increasing the risk of a crash.

16 167. **Steering tie-rod defect:** On May 13, 2014, GM recalled 477 MY 2014 Chevrolet
17 Silverado, 2014 GMC Sierra and 2015 Chevrolet Tahoe vehicles. In these vehicles, the tie-rod
18 threaded attachment may not be properly tightened to the steering gear rack. An improperly
19 tightened tie-rod attachment may allow the tie-rod to separate from the steering rack and result in a
20 loss of steering that greatly increases the risk of a vehicle crash.

21 168. **Automatic transmission shift cable adjuster:** On February 20, 2014, GM recalled
22 352 MY 2014 Buick Enclave, Buick LaCrosse, Buick Regal, Verano, Chevrolet Cruze, Chevrolet
23 Impala, Chevrolet Malibu, Chevrolet Traverse, and GMC Acadia vehicles. In these vehicles, the
24 transmission shift cable adjuster may disengage from the transmission shift lever. When that
25 happens, the driver may be unable to shift gears, and the indicated gear position may not be
26 accurate. If the adjuster is disengaged when the driver attempts to stop and park the vehicle, the
27 driver may be able to shift the lever to the "PARK" position but the vehicle transmission may not
28

1 be in the "PARK" gear position. That creates the risk that the vehicle will roll away as the driver
2 and other occupants exit the vehicle, or anytime thereafter.

3 169. **Fuse block defect:** On May 19, 2014, GM recalled 58 MY 2015 Chevrolet
4 Silverado HD and GMC Sierra HD vehicles. In these vehicles, the retention clips that attach the
5 fuse block to the vehicle body can become loose allowing the fuse block to move out of position.
6 When this occurs, exposed conductors in the fuse block may contact the mounting studs or other
7 metallic components, which in turn causes a "short to ground" event. That can result in an
8 arcing condition, igniting nearby combustible materials and starting an engine compartment fire.

9 170. **Diesel transfer pump defect:** On April 24, 2014, GM recalled 51 MY 2014 GMC
10 Sierra HD and 2015 Chevrolet Silverado HD vehicles. In these vehicles, the fuel pump
11 connections on both sides of the diesel fuel transfer pump may not be properly torqued. That can
12 result in a diesel fuel leak, which can cause a vehicle fire.

13 171. **Base radio defect:** On June 5, 2014, GM recalled 57,512 MY 2014 Chevrolet
14 Silverado LD, 2014 GMC Sierra LD and model year 2015 Silverado HD, Tahoe and Suburban and
15 2015 GMC Sierra HD and Yukon and Yukon XL vehicles because the base radio may not work.
16 The faulty base radio prevents audible warnings if the key is in the ignition when the driver's door
17 is open, and audible chimes when a front seat belt is not buckled. Vehicles with the base radio
18 defect are out of compliance with motor vehicle safety standards covering theft protection,
19 rollaway protection and occupant crash protection.

20 172. **Shorting bar defect:** On June 5, 2014, GM recalled 31,520 MY 2012 Buick
21 Verano and Chevrolet Camaro, Cruze, and Sonic compact cars for a defect in which the shorting
22 bar inside the dual stage driver's air bag may occasionally contact the air bag terminals. If contact
23 occurs, the air bag warning light will illuminate. If the car and terminals are contacting each other
24 in a crash, the air bag will not deploy. GM admits awareness of one crash with an injury where the
25 relevant diagnostic trouble code was found at the time the vehicle was repaired. GM is aware of
26 other crashes where air bags did not deploy but it does not know if they were related to this
27 condition. GM conducted two previous recalls for this condition involving 7,116 of these vehicles
28 with no confirmed crashes in which this issue was involved.

1 173. **Front passenger airbag end cap defect:** On June 5, 2014, GM recalled 61 model
2 year 2013-2014 Chevrolet Spark and 2013 model year Buick Encore vehicles manufactured in
3 Changwon, Korea from December 30, 2012 through May 8, 2013 because the vehicles may have a
4 condition in which the front passenger airbag end cap could separate from the airbag inflator. In a
5 crash, this may prevent the passenger airbag from deploying properly.

6 174. **Sensing and Diagnostic Model (“SDM”) defect:** On June 5, 2014, GM recalled
7 33 model year 2014 Chevrolet Corvettes in the U.S. because an internal short-circuit in the sensing
8 and diagnostic module (SDM) could disable frontal air bags, safety belt pretensioners and the
9 Automatic Occupancy Sensing module.

10 175. **Sonic Turbine Shaft:** On June 11, 2014, GM recalled 21,567 Chevrolet Sonics due
11 to a transmission turbine shaft that can malfunction.

12 176. **Electrical System defect:** On June 11, 2014, GM recalled 14,765 model year 2014
13 Buick LaCrosse sedans because a wiring splice in the driver’s door can corrode and break, cutting
14 power to the windows, sunroof, and door chime under certain circumstances.

15 177. **Seatbelt Tensioning System defect:** On June 11, 2014, GM recalled 8,789 model
16 year 2004-11 Saab 9-3 convertibles because a cable in the driver’s seatbelt tensioning system can
17 break.

18 178. In light of GM’s history of concealing known defects, there is little reason to think
19 that either GM’s recalls have fully addressed the 35 recently revealed defects or that GM has
20 addressed each defect of which it is or should be aware.

21 **B. GM Valued Cost-Cutting Over Safety, and Actively Encouraged Employees to**
22 **Conceal Safety Issues.**

23 179. Recently revealed information presents a disturbing picture of GM’s approach to
24 safety issues – both in the design and manufacture stages, and in discovering and responding to
25 defects in GM-branded vehicles that have already been sold.

26 180. GM made very clear to its personnel that cost-cutting was more important than
27 safety, deprived its personnel of necessary resources for spotting and remedying defects, trained its
28

1 employees not to reveal known defects, and rebuked those who attempted to “push hard” on safety
2 issues.

3 181. One “directive” at GM was “cost is everything.”⁸⁰ The messages from top
4 leadership at GM to employees, as well as their actions, were focused on the need to control cost.⁸¹

5 182. One GM engineer stated that emphasis on cost control at GM “permeates the fabric
6 of the whole culture.”⁸²

7 183. According to Mark Reuss (President of GMNA from 2009-2013 before succeeding
8 Mary Barra as Executive Vice President for Global Product Development, Purchasing and Supply
9 Chain in 2014), cost and time-cutting principles known as the “Big 4” at GM “emphasized timing
10 over quality.”⁸³

11 184. GM’s focus on cost-cutting created major disincentives to personnel who might
12 wish to address safety issues. For example, those responsible for a vehicle were responsible for its
13 costs, but if they wanted to make a change that incurred cost and affected other vehicles, they also
14 became responsible for the costs incurred in the other vehicles.⁸⁴

15 185. As another cost-cutting measure, parts were sourced to the lowest bidder, even if
16 they were not the highest quality parts.⁸⁵

17 186. Because of GM’s focus on cost-cutting, GM Engineers did not believe they had
18 extra funds to spend on product improvements.⁸⁶

19 187. GM’s focus on cost-cutting also made it harder for GM personnel to discover safety
20 defects, as in the case of the “TREAD Reporting team.”

21
22
23
24 ⁸⁰ GM Report at 249.

25 ⁸¹ GM Report at 250.

26 ⁸² GM Report at 250.

27 ⁸³ GM Report at 250.

28 ⁸⁴ GM Report at 250.

⁸⁵ GM Report at 251.

⁸⁶ GM Report at 251.

1 188. GM used its TREAD database (known as “TREAD”) to store the data required to be
2 reported quarterly to NHTSA under the TREAD Act.⁸⁷ From the date of its inception in 2009,
3 TREAD has been the principal database used by GM to track incidents related to its vehicles.⁸⁸

4 189. From 2003-2007 or 2008, the TREAD Reporting team had eight employees, who
5 would conduct monthly searches and prepare scatter graphs to identify spikes in the number of
6 accidents or complaints with respect to various GM-branded vehicles. The TREAD Reporting
7 team reports went to a review panel and sometimes spawned investigations to determine if any
8 safety defect existed.⁸⁹

9 190. In or around 2007-08, Old GM reduced the TREAD Reporting team from eight to
10 three employees, and the monthly data mining process pared down.⁹⁰ In 2010, GM restored two
11 people to the team, but they did not participate in the TREAD database searches.⁹¹ Moreover, until
12 2014, the TREAD Reporting team did not have sufficient resources to obtain any of the advanced
13 data mining software programs available in the industry to better identify and understand potential
14 defects.⁹²

15 191. By starving the TREAD Reporting team of the resources it needed to identify
16 potential safety issues, GM helped to insure that safety issues would not come to light.

17 192. “[T]here was resistance or reluctance to raise issues or concerns in the GM culture.”
18 The culture, atmosphere and supervisor response at GM “discouraged individuals from raising
19 safety concerns.”⁹³

20 193. GM CEO Mary Barra experienced instances where GM engineers were “unwilling
21 to identify issues out of concern that it would delay the launch” of a vehicle.⁹⁴

23 ⁸⁷ GM Report at 306.

24 ⁸⁸ GM Report at 306.

25 ⁸⁹ GM Report at 307.

26 ⁹⁰ GM Report at 307.

27 ⁹¹ GM Report at 307-308.

28 ⁹² GM Report at 208.

⁹³ GM Report at 252.

⁹⁴ GM Report at 252.

1 194. GM supervisors warned employees to “never put anything above the company” and
2 “never put the company at risk.”⁹⁵

3 195. GM “pushed back” on describing matters as safety issues and, as a result, “GM
4 personnel failed to raise significant issues to key decision-makers.”⁹⁶

5 196. So, for example, GM discouraged the use of the word “stall” in Technical Service
6 Bulletins (“TSBs”) it sometimes sent to dealers about issues in GM-branded vehicles. According
7 to Steve Oakley, who drafted a TSB in connection with the ignition switch defects, “the term ‘stall’
8 is a ‘hot’ word that GM generally does not use in bulletins because it may raise a concern about
9 vehicle safety, which suggests GM should recall the vehicle, not issue a bulletin.”⁹⁷ Other GM
10 personnel confirmed Oakley on this point, stating that “there was concern about the use of ‘stall’ in
11 a TSB because such language might draw the attention of NHTSA.”⁹⁸

12 197. Oakley further noted that “he was reluctant to push hard on safety issues because of
13 his perception that his predecessor had been pushed out of the job for doing just that.”⁹⁹

14 198. Many GM employees “did not take notes at all at critical safety meetings because
15 they believed GM lawyers did not want such notes taken.”¹⁰⁰

16 199. A GM training document released by NHTSA as an attachment to its Consent Order
17 sheds further light on the lengths to which GM went to ensure that known defects were concealed.
18 It appears that the defects were concealed pursuant to a company policy GM inherited from Old
19 GM.

20 200. The document consists of slides from a 2008 Technical Learning Symposium for
21 “designing engineers,” “company vehicle drivers,” and other employees at Old GM. On
22 information and belief, the vast majority of employees who participated in this webinar
23 presentation continued on in their same positions at GM after July 10, 2009.

24 ⁹⁵ GM Report at 252-253.

25 ⁹⁶ GM Report at 253.

26 ⁹⁷ GM Report at 92.

27 ⁹⁸ GM Report at 93.

27 ⁹⁹ GM Report at 93.

28 ¹⁰⁰ GM Report at 254.

1 201. The presentation focused on recalls, and the “reasons for recalls.”

2 202. One major component of the presentation was captioned “Documentation
3 Guidelines,” and focused on what employees should (and should not say) when describing
4 problems in vehicles.

5 203. Employees were instructed to “[w]rite smart,” and to “[b]e factual, not fantastic” in
6 their writing.

7 204. Company vehicle drivers were given examples of comments to avoid, including the
8 following: “This is a safety and security issue”; “I believe the wheels are too soft and weak and
9 could cause a serious problem”; and “Dangerous ... almost caused accident.”

10 205. In documents used for reports and presentations, employees were advised to avoid a
11 long list of words, including: “bad,” “dangerous,” “defect,” “defective,” “failed,” “flawed,” “life-
12 threatening,” “problem,” “safety,” “safety-related,” and “serious.”

13 206. In truly Orwellian fashion, the Company advised employees to use the words (1)
14 “Issue, Condition [or] Matter” instead of “Problem”; (2) “Has Potential Safety Implications”
15 instead of “Safety”; (3) “Broke and separated 10 mm” instead of “Failed”; (4)
16 “Above/Below/Exceeds Specification” instead of “Good [or] Bad”; and (5) “Does not perform to
17 design” instead of “Defect/Defective.”

18 207. As NHTSA’s Acting Administrator Friedman noted at the May 16, 2014 press
19 conference announcing the Consent Order concerning the ignition switch defect, it was GM’s
20 company policy to avoid using words that might suggest the existence of a safety defect:

21 GM must rethink the corporate philosophy reflected in the
22 documents we reviewed, including training materials that explicitly
23 discouraged employees from using words like ‘defect,’ ‘dangerous,’
24 ‘safety related,’ and many more essential terms for engineers and
investigators to clearly communicate up the chain when they suspect
a problem.

25 208. GM appears to have trained its employees to conceal the existence of known safety
26 defects from consumers and regulators. Indeed, it is nearly impossible to convey the potential
27 existence of a safety defect without using the words “safety” or “defect” or similarly strong
28 language that was verboten at GM.

1 209. So institutionalized at GM was the “phenomenon of avoiding responsibility” that
2 the practice was given a name: “the ‘GM salute,’” which was “a crossing of the arms and pointing
3 outward towards others, indicating that the responsibility belongs to someone else, not me.”¹⁰¹

4 210. CEO Mary Barra described a related phenomenon , “known as the ‘GM nod,” which
5 was “when everyone nods in agreement to a proposed plan of action, but then leaves the room with
6 no intention to follow through, and the nod is an empty gesture.”¹⁰²

7 211. According to the GM Report prepared by Anton R. Valukas, part of the failure to
8 properly correct the ignition switch defect was due to problems with GM’s organizational
9 structure.¹⁰³ Part of the failure to properly correct the ignition switch defect was due to a corporate
10 culture that did not care enough about safety.¹⁰⁴ Part of the failure to properly correct the ignition
11 switch defect was due to a lack of open and honest communication with NHTSA regarding safety
12 issues.¹⁰⁵ Part of the failure to properly correct the ignition switch defect was due to improper
13 conduct and handling of safety issues by lawyers within GM’s Legal Staff.¹⁰⁶ On information and
14 belief, all of these issues also helped cause the concealment of and failure to remedy the many
15 defects that have led to the spate of recalls in the first half of 2014.

16 **C. The Ignition Switch Defects Have Harmed Consumers in Orange County and the**
17 **State**

18 212. GM’s unprecedented concealment of a large number of serious defects, and its
19 irresponsible approach to safety issues, has caused damage to consumers in Orange County and
20 throughout California.

21 213. A vehicle made by a reputable manufacturer of safe and reliable vehicles who
22 stands behind its vehicles after they are sold is worth more than an otherwise similar vehicle made
23

24
25 ¹⁰¹ GM Report at 255.

26 ¹⁰² GM Report at 256.

27 ¹⁰³ GM Report at 259-260.

28 ¹⁰⁴ GM Report at 260-261.

¹⁰⁵ GM Report at 263.

¹⁰⁶ GM Report at 264.

1 by a disreputable manufacturer known for selling defective vehicles and for concealing and failing
2 to remedy serious defects after the vehicles are sold.

3 214. A vehicle purchased or leased under the reasonable assumption that it is safe and
4 reliable is worth more than a vehicle of questionable safety and reliability due to the
5 manufacturer's recent history of concealing serious defects from consumers and regulators.

6 215. Purchasers and lessees of new and used GM-branded vehicles after the July 10,
7 2009, inception of GM paid more for the vehicles than they would have had GM disclosed the
8 many defects it had a duty to disclose in GM-branded vehicles. Because GM concealed the defects
9 and the fact that it was a disreputable brand that valued cost-cutting over safety, these consumers
10 did not receive the benefit of their bargain. And the value of all their vehicles has diminished as
11 the result of GM's deceptive conduct.

12 216. If GM had timely disclosed the many defects as required by the TREAD Act and
13 California law, California vehicle owners' GM-branded vehicles would be considerably more
14 valuable than they are now. Because of GM's now highly publicized campaign of deception, and
15 its belated, piecemeal and ever-expanding recalls, so much stigma has attached to the GM brand
16 that no rational consumer would pay what otherwise would have been fair market value for GM-
17 branded vehicles.

18 **D. Given GM's Knowledge of the Defects and the Risk to Public Safety, it Was Obligated to**
19 **Promptly Disclose and Remedy the Defects.**

20 217. The National Traffic and Motor Vehicle Safety Act of 1966 (the "Safety Act")
21 requires manufacturers of motor vehicles and motor vehicle equipment to submit certain
22 information to the National Highway Traffic Safety Administration (NHTSA) in order "to reduce
23 traffic accidents and deaths and injuries resulting from traffic accidents." 49 U.S.C. § 30101 *et*
24 *seq.*

25 218. Under the Safety Act, the manufacturer of a vehicle has a duty to notify dealers and
26 purchasers of a safety defect and remedy the defect without charge. 49 U.S.C. § 30118. In
27 November 2000, Congress enacted the Transportation Recall Enhancement, Accountability and
28 Documentation (TREAD) Act, 49 U.S.C. §§ 30101-30170, which amended the Safety Act and

1 directed the Secretary of Transportation to promulgate regulation expanding the scope of the
2 information that manufacturers are required to submit to NHTSA.

3 219. The Safety Act requires manufacturers to inform NHTSA within five days of
4 discovering a defect. 49 CFR § 573.6 provides that a manufacturer “shall furnish a report to the
5 NHTSA for each defect in his vehicles or in his items of original or replacement equipment that he
6 or the Administrator determines to be related to motor vehicle safety, and for each noncompliance
7 with a motor vehicle safety standard in such vehicles or items of equipment which either he or the
8 Administrator determines to exist,” and that such reports must include, among other
9 things: identification of the vehicles or items of motor vehicle equipment potentially containing
10 the defect or noncompliance, including a description of the manufacturer’s basis for its
11 determination of the recall population and a description of how the vehicles or items of equipment
12 to be recalled differ from similar vehicles or items of equipment that the manufacturer has not
13 included in the recall; in the case of passenger cars, the identification shall be by the make, line,
14 model year, the inclusive dates (month and year) of manufacture, and any other information
15 necessary to describe the vehicles; a description of the defect or noncompliance, including both a
16 brief summary and a detailed description, with graphic aids as necessary, of the nature and physical
17 location (if applicable) of the defect or noncompliance; a chronology of all principal events that
18 were the basis for the determination that the defect related to motor vehicle safety, including a
19 summary of all warranty claims, field or service reports, and other information, with their dates of
20 receipt; a description of the manufacturer’s program for remedying the defect or noncompliance;
21 and a plan for reimbursing an owner or purchaser who incurred costs to obtain a remedy for the
22 problem addressed by the recall within a reasonable time in advance of the manufacturer’s
23 notification of owners, purchasers and dealers.

24 220. Manufacturers are also required to submit “early warning reporting” (EWR) data
25 and information that may assist the agency in identifying safety defects in motor vehicles or motor
26 vehicle equipment. *See* 49 U.S.C. § 30166(m)(3)(B). The data submitted to NHTSA under the
27 EWR regulation includes: production numbers (cumulative total of vehicles or items of equipment
28 manufactured in the year); incidents involving death or injury based on claims and notices received

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1 by the manufacturer; claims relating to property damage received by the manufacturer; warranty
2 claims paid by the manufacturer (generally for repairs on relatively new products) pursuant to a
3 warranty program (in the tire industry these are warranty adjustment claims); consumer complaints
4 (a communication by a consumer to the manufacturer that expresses dissatisfaction with the
5 manufacturer's product or performance of its product or an alleged defect); and field reports
6 (prepared by the manufacturer's employees or representatives concerning failure, malfunction, lack
7 of durability or other performance problem of a motor vehicle or item of motor vehicle equipment).

8 221. Regulations promulgated under the TREAD Act also require manufacturers to
9 inform NHTSA of defects and recalls in motor vehicles in foreign countries. Under 49 CFR §§
10 579.11 and 579.12 a manufacturer must report to NHTSA not later than five working days after a
11 manufacturer determines to conduct a safety recall or other safety campaign in a foreign country
12 covering a motor vehicle sold or offered for sale in the United States. The report must include,
13 among other things: a description of the defect or noncompliance, including both a brief summary
14 and a detailed description, with graphic aids as necessary, of the nature and physical location (if
15 applicable) of the defect or noncompliance; identification of the vehicles or items of motor vehicle
16 equipment potentially containing the defect or noncompliance, including a description of the
17 manufacturer's basis for its determination of the recall population and a description of how the
18 vehicles or items of equipment to be recalled differ from similar vehicles or items of equipment
19 that the manufacturer has not included in the recall; the manufacturer's program for remedying the
20 defect or noncompliance, the date of the determination and the date the recall or other campaign
21 was commenced or will commence in each foreign country; and identify all motor vehicles that the
22 manufacturer sold or offered for sale in the United States that are identical or substantially similar
23 to the motor vehicles covered by the foreign recall or campaign.

24 222. 49 CFR § 579.21 requires manufacturers to provide NHTSA quarterly field reports
25 related to the current and nine preceding model years regarding various systems, including, but not
26 limited to, vehicle speed control. The field reports must contain, among other things: a report on
27 each incident involving one or more deaths or injuries occurring in the United States that is
28 identified in a claim against and received by the manufacturer or in a notice received by the

1 manufacturer which notice alleges or proves that the death or injury was caused by a possible
2 defect in the manufacturer's vehicle, together with each incident involving one or more deaths
3 occurring in a foreign country that is identified in a claim against and received by the manufacturer
4 involving the manufacturer's vehicle, if that vehicle is identical or substantially similar to a vehicle
5 that the manufacturer has offered for sale in the United States, and any assessment of an alleged
6 failure, malfunction, lack of durability, or other performance problem of a motor vehicle or item of
7 motor vehicle equipment (including any part thereof) that is originated by an employee or
8 representative of the manufacturer and that the manufacturer received during a reporting period.

9 223. GM has known throughout the liability period that many GM-branded vehicles sold
10 or leased in the State of California were defective – and, in many cases, dangerously so.

11 224. Since the date of GM's inception, many people have been injured or died in
12 accidents relating to the ignition switch defects alone. While the exact injury and death toll is
13 unknown, as a result of GM's campaign of concealment and suppression of the large number of
14 defects plaguing over 17 million GM-branded vehicles, numerous other drivers and passengers of
15 the Defective Vehicles have died or suffered serious injuries and property damage. All owners and
16 lessees of GM-branded vehicles have suffered economic damage to their property due to the
17 disturbingly large number of recently revealed defects that were concealed by GM. Many are
18 unable to sell or trade their cars, and many are afraid to drive their cars.

19 **E. GM's Misrepresentations and Deceptive, False, Untrue and Misleading Advertising,**
20 **Marketing and Public Statements**

21 225. Despite its knowledge of the many serious defects in millions of GM-branded
22 vehicles, GM continued to (1) sell new Defective Vehicles; (2) sell used Defective Vehicles as
23 "GM certified"; and (3) use defective ignition switches to repair GM vehicles, all without
24 disclosing or remedying the defects. As a result, the injury and death toll associated with the
25 Defective Vehicles has continued to increase and, to this day, GM continues to conceal and
26 suppress this information.

27 226. During this time period, GM falsely assured California consumers in various written
28 and broadcast statements that its cars were safe and reliable, and concealed and suppressed the true

1 facts concerning the many defects in millions of GM-branded vehicles, and GM's policies that led
2 to both the manufacture of an inordinate number of vehicles with safety defects and the subsequent
3 concealment of those defects once the vehicles are on the road. To this day, GM continues to
4 conceal and suppress information about the safety and reliability of its vehicles.

5 227. Against this backdrop of fraud and concealment, GM touted its reputation for safety
6 and reliability, and knew that people bought and retained its vehicles because of that reputation,
7 and yet purposefully chose to conceal and suppress the existence and nature of the many safety
8 defects. Instead of disclosing the truth about the dangerous propensity of the Defective Vehicles
9 and GM's disdain for safety, California consumers were given assurances that their vehicles were
10 safe and defect free, and that the Company stands behind its vehicles after they are on the road.

11 228. GM has consistently marketed its vehicles as "safe" and proclaimed that safety is
12 one of its highest priorities.

13 229. It told consumers that it built the world's best vehicles:

14 We truly are building a new GM, from the inside out. Our vision is
15 clear: to design, build and sell the world's best vehicles, and we have
16 a new business model to bring that vision to life. We have a lower
17 cost structure, a stronger balance sheet and a dramatically lower risk
18 profile. We have a new leadership team – a strong mix of executive
19 talent from outside the industry and automotive veterans – and a
20 passionate, rejuvenated workforce.

21 "Our plan is to steadily invest in creating world-class vehicles, which
22 will continuously drive our cycle of great design, high quality and
23 higher profitability."

24 230. It represented that it was building vehicles with design excellence, quality and
25 performance:

26 And across the globe, other GM vehicles are gaining similar acclaim
27 for design excellence, quality and performance, including the Holden
28 Commodore in Australia. Chevrolet Agile in Brazil, Buick LaCrosse
in China and many others.

The company's progress is early evidence of a new business model
that begins and ends with great vehicles. We are leveraging our
global resources and scale to maintain stringent cost management
while taking advantage of growth and revenue opportunities around
the world, to ultimately deliver sustainable results for all of our
shareholders.

231. The theme below was repeated in advertisements, company literature, and material at dealerships as the core message about GM's Brand:

The new General Motors has one clear vision: to design, build and sell the world's best vehicles. Our new business model revolves around this vision, focusing on fewer brands, compelling vehicle design, innovative technology, improved manufacturing productivity and streamlined, more efficient inventory processes. The end result is products that delight customers and generate higher volumes and margins—and ultimately deliver more cash to invest in our future vehicles.

A New Vision, a New Business Model

Our vision is simple, straightforward and clear; to design, build and sell the world's best vehicles. That doesn't mean just making our vehicles better than the ones they replace. We have set a higher standard for the new GM—and that means building the best.

Our vision comes to life in a continuous cycle that starts, ends and begins again with great vehicle designs. To accelerate the momentum we've already created, we reduced our North American portfolio from eight brands to four: Chevrolet, Buick, Cadillac and GMC. Worldwide, we're aggressively developing and leveraging global vehicle architectures to maximize our talent and resources and achieve optimum economies of scale.

Across our manufacturing operations, we have largely eliminated overcapacity in North America while making progress in Europe, and we're committed to managing inventory with a new level of discipline. By using our manufacturing capacity more efficiently

and maintaining leaner vehicle inventories, we are reducing the need to offer sales incentives on our vehicles. These moves, combined with offering attractive, high-quality vehicles, are driving healthier margins—and at the same time building stronger brands.

Our new business model creates a self-sustaining cycle of reinvestment that drives continuous improvement in vehicle design, manufacturing discipline, brand strength, pricing and margins, because we are now able to make money at the bottom as well as the top of the industry cycles.

We are seeing positive results already. In the United States, for example, improved design, content and quality have resulted in solid gains in segment share, average transaction prices and projected residual values for the Chevrolet Equinox, Buick LaCrosse and Cadillac SRX. This is just the beginning.

232. It represented that it had a world-class lineup in North America:

A World-Class Lineup in North America



Chevrolet Cruze
Global success is no surprise for the new Chevrolet Cruze, which is sold in more than 60 countries around the world. In addition to a 43 mpg Eco model (sold in North America), Cruze's globally influenced design is complemented by its exceptional quietness, high quality and attention to detail not matched by the competition.

Buick Regal
The sport-injected Buick Regal is the brand's latest addition, attracting a whole new demographic for the Buick brand. The newly designed Buick lineup, which saw 52 percent volume growth in 2010 in the United States alone, is appealing to a broader spectrum of buyers.

Chevrolet Equinox
The Chevrolet Equinox delivers best-in-segment 32-mpg highway fuel economy in a sleek, roomy new package. With the success of the Equinox and other strong-selling crossovers, GM leads the U.S. industry in total unit sales for the segment.

Chevrolet Sonic
Stylish four-door sedan and sporty five-door hatchback versions of the Chevrolet Sonic will be in U.S. showrooms in fall 2011. Currently the only small car built in the United States, it will be sold as the Aveo in other parts of the world.

Buick LaCrosse
Buick builds on the brand's momentum in the United States and China with the fuel-efficient LaCrosse. With eAssist technology, the LaCrosse achieves an expected 37 mpg on the highway.

Buick Verano
The all-new Buick Verano, which will be available in late 2011, appeals to customers in the United States, Canada and Mexico who want great fuel economy and luxury in a smaller but premium package.



GMC Terrain

The GMC Terrain delivers segment-leading fuel economy of 32 mpg highway, plus uncompromising content and premium technology, in a 5-passenger, compact SUV.



Cadillac CTS V-Coupe

Cadillac's new CTS V-Coupe is the complete package for the driving enthusiast—a 556 hp supercharged V-8 engine, stunning lines and performance handling.



GMC Sierra Heavy Duty

The GMC Sierra offers heavy-duty power and performance with the proven and powerful Duramax Diesel/Allison Transmission combination and a completely new chassis with improved capabilities and ride comfort.



GMC Yukon Hybrid

The GMC Yukon Hybrid is America's first full-sized SUV hybrid, with city fuel economy of 20 mpg—better than a standard 6-cylinder Honda Accord and 43 percent better than any full-size SUV in its class.



Cadillac CTS Sport Wagon

With an available advanced direct-injected V6 engine, the Cadillac CTS Sport Wagon sets a new standard for versatility, while offering excitement and purpose.



Cadillac SRX

The Cadillac SRX looks and performs like no other crossover, with a cockpit that offers utility and elegance and an optional 20-inch Ultraview sunroof.

1 233. It boasted of its new “culture”:



24 234. In its 2012 Annual Report, GM told the world the following about its brand:

25 What is immutable is our focus on the customer, which requires us to
26 go from “good” today to “great” in everything we do, including
product design, initial quality, durability and service after the sale.

27 235. GM also indicated it had changed its structure to create more “accountability”
28 which, as shown above, was a blatant falsehood:

1 That work continues, and it has been complemented by changes to
2 our design and engineering organization that have flattened the
3 structure and created more accountability for produce execution,
4 profitability and customer satisfaction.

5 236. And GM represented that product quality was a key focus – another blatant
6 falsehood:

7 Product quality and long-term durability are two other areas that
8 demand our unrelenting attention, even though we are doing well on
9 key measures.

10 237. In its 2013 Letter to Stockholders GM noted that its brand had grown in value and
11 boasted that it designed the “World’s Best Vehicles”:

12 Dear Stockholder:

13 Your company is on the move once again. While there were highs
14 and lows in 2011, our overall report card shows very solid marks,
15 including record net income attributable to common stockholders of
16 \$7.6 billion and EBIT-adjusted income of \$8.3 billion.

- 17 • GM’s overall momentum, including a 13 percent sales
18 increase in the United States, created new jobs and drove
19 investments. We have announced investments in 29 U.S.
20 facilities totaling more than \$7.1 billion since July 2009, with
21 more than 17,500 jobs created or retained.

22 Design, Build and Sell the World’s Best Vehicles

23 This pillar is intended to keep the customer at the center of
24 everything we do, and success is pretty easy to define. It means
25 creating vehicles that people desire, value and are proud to own.
26 When we get this right, it transforms our reputation and the
27 company’s bottom line.

28 Strengthen Brand Value

Clarity of purpose and consistency of execution are the cornerstones
of our product strategy, and two brands will drive our global growth.
They are Chevrolet, which embodies the qualities of value,
reliability, performance and expressive design; and Cadillac, which
creates luxury vehicles that are provocative and powerful. At the
same time the Holden, Buick, GMC, Baojun, Opel and Vauxhall
brands are being carefully cultivated to satisfy as many customers as
possible in select regions.

Each day the cultural change underway at GM becomes more
striking. The old internally focused, consensus-driven and overly
complicated GM is being reinvented brick by brick, by truly
accountable executives who know how to take calculated risks and
lead global teams that are committed to building the best vehicles in
the world as efficiently as we can.

1 That's the crux of our plan. The plan is something we can control.
2 We like the results we're starting to see and we're going to stick to
it – always.

3 238. Once it emerged from bankruptcy, GM told the world it was a new and improved
4 company:



1
2 239. A radio ad that ran from GM's inception until July 16, 2010, stated that "[a]t GM,
3 building quality cars is the most important thing we can do."

4 240. An online ad for "GM certified" used vehicles that ran from July 6, 2009 until
5 April 5, 2010, stated that "GM certified means no worries."

6 241. GM's Chevrolet brand ran television ads in 2010 showing parents bringing their
7 newborn babies home from the hospital, with the tagline "[a]s long as there are babies, there'll be
8 Chevys to bring them home."

9 242. Another 2010 television ad informed consumers that "Chevrolet's ingenuity and
10 integrity remain strong, exploring new areas of design and power, while continuing to make some
11 of the safest vehicles on earth."

12 243. An online national ad campaign for GM in April of 2012 stressed "Safety. Utility.
13 Performance."

14 244. A national print ad campaign in April of 2013 states that "[w]hen lives are on the
15 line, you need a dependable vehicle you can rely on. Chevrolet and GM ... for power,
16 performance and safety."

17 245. A December 2013 GM testimonial ad stated that "GM has been able to deliver a
18 quality product that satisfies my need for dignity and safety."

19 246. GM's website, GM.com, states:

20 Innovation: Quality & Safety; GM's Commitment to Safety; Quality
21 and safety are at the top of the agenda at GM, as we work on
22 technology improvements in crash avoidance and crashworthiness to
23 augment the post-event benefits of OnStar, like advanced automatic
24 crash notification. Understanding what you want and need from your
25 vehicle helps GM proactively design and test features that help keep
26 you safe and enjoy the drive. Our engineers thoroughly test our
27 vehicles for durability, comfort and noise minimization before you
28 think about them. The same quality process ensures our safety
technology performs when you need it.

247. On February 25, 2014, GM North America President Alan Batey publically stated:
"Ensuring our customers' safety is our first order of business. We are deeply sorry and we are
working to address this issue as quickly as we can."

1 248. These proclamations of safety and assurances that GM's safety technology performs
2 when needed were false and misleading because they failed to disclose the dangerous defects in
3 millions of GM-branded vehicles, and the fact GM favored cost-cutting and concealment over
4 safety. GM knew or should have known that its representations were false and misleading.

5 249. GM continues to make misleading safety claims in public statements,
6 advertisements, and literature provided with its vehicles.

7 250. GM violated California law in failing to disclose and in actively concealing what it
8 knew regarding the existence of the defects, despite having exclusive knowledge of material facts
9 not known to the Plaintiff or to California consumers, and by making partial representations while
10 at the same time suppressing material facts. *LiMandri v. Judkins* (1997) 52 Cal. App. 4th 326, 337,
11 60 Cal. Rptr. 2d 539. In addition, GM had a duty to disclose the information that it knew about the
12 defects because such matters directly involved matters of public safety.

13 251. GM violated California law in failing to conduct an adequate retrofit campaign
14 (*Hernandez v. Badger Construction Equip. Co.* (1994) 28 Cal. App. 4th 1791, 1827), and in failing
15 to retrofit the Defective Vehicles and/or warn of the danger presented by the defects after becoming
16 aware of the dangers after their vehicles had been on the market (*Lunghi v. Clark Equip. Co.*
17 (1984) 153 Cal. App. 3d 485; *Balido v. Improved Machinery, Inc.* (1972) 29 Cal. App. 3d 633).

18 252. GM also violated the TREAD Act, and the regulations promulgated under the Act,
19 when it failed to timely inform NHTSA of the defects and allowed cars to remain on the road with
20 these defects. By failing to disclose and actively concealing the defects, by selling new Defective
21 Vehicles and used "GM certified" Defective Vehicles without disclosing or remedying the defects,
22 and by using defective ignition switches for "repairs," GM engaged in deceptive business practices
23 prohibited by the CLRA, Cal. Civ. Code § 1750, *et seq.*, including (1) representing that GM
24 vehicles have characteristics, uses, benefits, and qualities which they do not have; (2) representing
25 that new Defective Vehicles and ignition switches and used "GM certified" vehicles are of a
26 particular standard, quality, and grade when they are not; (3) advertising GM vehicles with the
27 intent not to sell them as advertised; (4) representing that the subjects of transactions involving GM
28

1 vehicles have been supplied in accordance with a previous representation when they have not; and
2 (5) selling Defective Vehicles in violation of the TREAD Act.

3 **VI. CAUSES OF ACTION**

4 **FIRST CAUSE OF ACTION**

5 **VIOLATION OF BUSINESS AND PROFESSIONS CODE SECTION 17200**

6 253. Plaintiff realleges and incorporates by reference all preceding paragraphs.

7 254. GM has engaged in, and continues to engage in, acts or practices that constitute
8 unfair competition, as that term is defined in section 17200 of the California Business and
9 Professions Code.

10 255. GM has violated, and continues to violate, Business and Professions Code section
11 17200 through its unlawful, unfair, fraudulent, and/or deceptive business acts and/or practices.
12 GM uniformly concealed, failed to disclose, and omitted important safety-related material
13 information that was known only to GM and that could not reasonably have been discovered by
14 California consumers. Based on GM's concealment, half-truths, and omissions, California
15 consumers agreed to purchase or lease one or more (i) new or used GM vehicles sold on or after
16 July 10, 2009; (ii) "GM certified" Defective Vehicles sold on or after July 10, 2009; (iii) and/or to
17 have their vehicles repaired using GM's defective ignition switches. GM also repeatedly and
18 knowingly made untrue and misleading statements in California regarding the purported reliability
19 and safety of its vehicles, and the importance of safety to the Company. The true information
20 about the many serious defects in GM-branded vehicles, and GM's disdain for safety, was known
21 only to GM and could not reasonably have been discovered by California consumers.

22 256. As a direct and proximate result of GM's concealment and failure to disclose the
23 many defects and the Company's institutionalized devaluation of safety, GM intended that
24 consumers would be misled into believing that that GM was a reputable manufacturer of reliable
25 and safe vehicles when in fact GM was an irresponsible manufacture of unsafe, unreliable and
26 often dangerously defective vehicles.

UNLAWFUL

257. The unlawful acts and practices of GM alleged above constitute unlawful business acts and/or practices within the meaning of California Business and Professions Code section 17200. GM's unlawful business acts and/or practices as alleged herein have violated numerous federal, state, statutory, and/or common laws – and said predicate acts are therefore per se violations of section 17200. These predicate unlawful business acts and/or practices include, but are not limited to, the following: California Business and Professions Code section 17500 (False Advertising), California Civil Code section 1572 (Actual Fraud – Omissions), California Civil Code section 1573 (Constructive Fraud by Omission), California Civil Code section 1710 (Deceit), California Civil Code section 1770 (the Consumers Legal Remedies Act – Deceptive Practices), California Civil Code section 1793.2 *et seq.* (the Consumer Warranties Act), and other California statutory and common law; the National Traffic and Motor Vehicle Safety Act (49 U.S.C. § 30101 *et. seq.*), as amended by the Transportation Recall Enhancement, Accountability and Documentation TREAD Act, (49 U.S.C. §§ 30101-30170) including, but not limited to 49 U.S.C. §§ 30112, 30115, 30118 and 30166, Federal Motor Vehicle Safety Standard 124 (49 C.F.R. § 571.124), and 49 CFR §§ 573.6, 579.11, 579.12, and 579.21.

UNFAIR

258. GM's concealment, omissions, and misconduct as alleged in this action constitute negligence and other tortious conduct and gave GM an unfair competitive advantage over its competitors who did not engage in such practices. Said misconduct, as alleged herein, also violated established law and/or public policies which seek to promote prompt disclosure of important safety-related information. Concealing and failing to disclose the nature and extent of the numerous safety defects to California consumers, before (on or after July 10, 2009) those consumers (i) purchased one or more GM vehicles; (ii) purchased used "GM certified" Defective Vehicles; or (iii) had their vehicles repaired with defective ignition switches, as alleged herein, was and is directly contrary to established legislative goals and policies promoting safety and the prompt disclosure of such defects, prior to purchase. Therefore GM's acts and/or practices alleged herein were and are unfair within the meaning of Business and Professions Code section 17200.

259. The harm to California consumers outweighs the utility, if any, of GM's acts and/or practices as alleged herein. Thus, GM's deceptive business acts and/or practices, as alleged herein, were unfair within the meaning of Business and Professions Code section 17200.

260. As alleged herein, GM's business acts and practices offend established public policies, including, but not limited to, public policies against making partial half-truths and failing to disclose important material facts to consumers.

261. In addition, as alleged herein, GM intended that California consumers would be misled and/or deceived into believing that they would be purchasing a safe and reliable vehicle built by a reputable manufacturer that values safety and stands behind its vehicles after they are sold, when, in fact, they were in many cases obtaining a vehicle that had defects that had the potential to cause serious bodily injury and/or death, and, in every case, obtaining a vehicle made by an irresponsible manufacturer that does not value safety and was concealing myriad known safety defects in millions of GM-branded vehicles. This practice is and was immoral, unethical, oppressive, unscrupulous, or substantially injurious to consumers and thus unfair within the meaning of Business and Professions Code section 17200.

262. At all times relevant, GM's misconduct and omissions alleged herein: (a) caused substantial injury to the Public; (b) had no countervailing benefit to consumers or to competition that could possibly outweigh this substantial injury; and (c) caused injury that could not have been avoided or even discovered by ordinary consumers, because it resulted from GM's concealment, failure to disclose and/or omission of important safety related material information that only the Defendant knew or could have known. Thus, GM's acts and/or practices as alleged herein were unfair within the meaning of Business and Professions Code section 17200.

FRAUDULENT

263. GM's acts and practices, as alleged herein, were likely to, and did, deceive the Public. GM's concealment, material omissions, acts, practices and non-disclosures, as alleged herein, therefore constitute fraudulent business acts and/or practices within the meaning of California Business and Professions Code section 17200.

SECOND CAUSE OF ACTION

265. Plaintiff realleges and incorporates by reference all preceding paragraphs.

267. GM caused to be made or disseminated through California and the United States, through advertising, marketing, and other publications, statements that were untrue or misleading, and which were known, or which by the exercise of reasonable care should have been known to GM, to be untrue and misleading to consumers.

268. GM has violated section 17500 because the misrepresentations and omissions regarding the safety and reliability of its vehicles and the importance of safety to the Company as set forth in this Complaint were material and likely to deceive a reasonable consumer.

269. California consumers were exposed to and saw advertisements for GM vehicles on television, in magazines, on billboards, in brochures at dealerships, and on the Internet before purchasing GM vehicles. Had those advertisements, window stickers, or any other materials disclosed that millions of GM-branded vehicles contained serious safety defects and that GM did

1 not value safety, consumers would not have purchased new GM vehicles on or after July 10, 2009
2 and would not have purchased “GM certified” Defective Vehicles on or after July 10, 2009.

3 270. Despite notice of the serious safety defects in so many its vehicles, GM did not
4 disclose to consumers that its vehicles – which GM for years had advertised as “safe” and
5 “reliable” – were in fact not as safe or reliable as a reasonable consumer expected due to the risks
6 created by the many known defects, and GM’s focus on cost-cutting at the expense of safety and
7 the resultant concealment of numerous safety defects. GM never disclosed what it knew about the
8 defects. Rather than disclose the truth, GM concealed the existence of the defects, and claimed to
9 be a reputable manufacturer of safe and reliable vehicles.

10 271. GM, by the acts and misconduct alleged herein, violated Business & Professions
11 Code section 17500, and GM has engaged in, and continues to engage in, acts or practices that
12 constitute false advertising.

13 272. GM has violated, and continues to violate, Business and Professions Code section
14 17500 by disseminating untrue and misleading statements as defined by Business and Professions
15 Code 17500. GM has engaged in acts and practices with intent to induce members of the public to
16 purchase its vehicles by publicly disseminated advertising which contained statements which were
17 untrue or misleading, and which GM knew, or in the exercise of reasonable care should have
18 known, were untrue or misleading, and which concerned the real or personal property or services
19 or their disposition or performance.

20 273. GM repeatedly and knowingly made untrue and misleading statements in California
21 regarding the purported reliability and safety of its vehicles. The true information was known only
22 to GM and could not reasonably have been discovered by California consumers. GM uniformly
23 concealed, failed to disclose and omitted important safety-related material information that was
24 known only to GM and that could not reasonably have been discovered by California consumers.
25 Based on GM’s concealment, half-truths, and omissions, California consumers agreed (on or after
26 July 10, 2009) (i) to purchase GM vehicles; (ii) to purchase used “GM certified” Defective
27 Vehicles; and/or (iii) to have their vehicles repaired using defective ignition switches,
28

PRAYER FOR RELIEF

E. For such other equitable relief as is just and proper.

1 Dated: June 27, 2014

Respectfully submitted,

2 TONY RACKAUCKAS, DISTRICT ATTORNEY
3 COUNTY OF ORANGE, STATE OF CALIFORNIA

4 By: Tony Rackauckas

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8 Dated: June 27, 2014

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SUMMONS
(CITACION JUDICIAL)

SUM-100

NOTICE TO DEFENDANT: GENERAL MOTORS LLC
(AVISO AL DEMANDADO):

FOR COURT USE ONLY
(SOLO PARA USO DE LA CORTE)

ELECTRONICALLY FILED
Superior Court of California,
County of Orange

06/27/2014 at 12:18:58 PM

Clerk of the Superior Court
By Irma Cook, Deputy Clerk

YOU ARE BEING SUED BY PLAINTIFF: THE PEOPLE OF THE STATE
(LO ESTÁ DEMANDANDO EL DEMANDANTE): OF CALIFORNIA, acting by
and through Orange County District Attorney Tony Rackauckas

NOTICE! You have been sued. The court may decide against you without you being heard unless you respond within 30 days. Read the information below.

You have 30 CALENDAR DAYS after this summons and legal papers are served on you to file a written response at this court and have a copy served on the plaintiff. A letter or phone call will not protect you. Your written response must be in proper legal form if you want the court to hear your case. There may be a court form that you can use for your response. You can find these court forms and more information at the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), your county law library, or the courthouse nearest you. If you cannot pay the filing fee, ask the court clerk for a fee waiver form. If you do not file your response on time, you may lose the case by default, and your wages, money, and property may be taken without further warning from the court.

There are other legal requirements. You may want to call an attorney right away. If you do not know an attorney, you may want to call an attorney referral service. If you cannot afford an attorney, you may be eligible for free legal services from a nonprofit legal services program. You can locate these nonprofit groups at the California Legal Services Web site (www.lawhelpcalifornia.org), the California Courts Online Self-Help Center (www.courtinfo.ca.gov/selfhelp), or by contacting your local court or county bar association. **NOTE:** The court has a statutory lien for waived fees and costs on any settlement or arbitration award of \$10,000 or more in a civil case. The court's lien must be paid before the court will dismiss the case. **¡AVISO!** Lo han demandado. Si no responde dentro de 30 días, la corte puede decidir en su contra sin escuchar su versión. Lea la información a continuación.

Tiene 30 DÍAS DE CALENDARIO después de que le entreguen esta citación y papeles legales para presentar una respuesta por escrito en esta corte y hacer que se entregue una copia al demandante. Una carta o una llamada telefónica no lo protegen. Su respuesta por escrito tiene que estar en formato legal correcto si desea que procesen su caso en la corte. Es posible que haya un formulario que usted pueda usar para su respuesta. Puede encontrar estos formularios de la corte y más información en el Centro de Ayuda de las Cortes de California (www.sucorte.ca.gov), en la biblioteca de leyes de su condado o en la corte que le quede más cerca. Si no puede pagar la cuota de presentación, pida al secretario de la corte que le dé un formulario de exención de pago de cuotas. Si no presenta su respuesta a tiempo, puede perder el caso por incumplimiento y la corte le podrá quitar su sueldo, dinero y bienes sin más advertencia.

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The name and address of the court is:
(El nombre y dirección de la corte es):

ORANGE COUNTY SUPERIOR COURT
751 West Santa Ana Boulevard
Santa Ana, CA 92701
CIVIL COMPLEX CENTER

CASE NUMBER
(Número del) 30-2014-00731038-CU-BT-CXC

Judge Kim G. Dunning

The name, address, and telephone number of plaintiff's attorney, or plaintiff without an attorney, is:

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(Fecha)

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Irma Cook

Deputy
(Adjunto)

(For proof of service of this summons, use Proof of Service of Summons (form POS-010).)

(Para prueba de entrega de esta citación use el formulario Proof of Service of Summons, (POS-010)).

NOTICE TO THE PERSON SERVED: You are served

1. ☐ as an individual defendant.
2. ☐ as the person sued under the fictitious name of (specify):

3. ☐ on behalf of (specify):

- under: ☐ CCP 416.10 (corporation) ☐ CCP 416.60 (minor)
☐ CCP 416.20 (defunct corporation) ☐ CCP 416.70 (conservatee)
☐ CCP 416.40 (association or partnership) ☐ CCP 416.90 (authorized person)
☐ other (specify):

4. ☐ by personal delivery on (date):

Page 1 of 1



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SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF ORANGE – COMPLEX LITIGATION DIVISION

THE PEOPLE OF THE STATE OF
CALIFORNIA, acting by and through Orange
County District Attorney Tony Rackauckas,

Plaintiff,

v.

GENERAL MOTORS LLC

Defendant.

Case No. 30-2014-00731038-CU-BT-CXC

**FIRST AMENDED COMPLAINT FOR
VIOLATIONS OF CALIFORNIA
UNFAIR COMPETITION LAW AND
FALSE ADVERTISING LAW**

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1 Plaintiff, the People of the State of California (“Plaintiff” or “the People”), by and through
2 Tony Rackauckas, District Attorney for the County of Orange (“District Attorney”), alleges the
3 following, on information and belief:

4 **I. INTRODUCTION**

5 1. This is a law enforcement action which primarily seeks to protect the public safety
6 and welfare, brought by a governmental unit in the exercise of and to enforce its police power. *City*
7 *& Cnty. of San Francisco v. PG & E Corp.*, 433 F.3d 1115, 1124-1125 (9th Cir. 2006). The action
8 is brought by Tony Rackauckas, District Attorney of the County of Orange, under California
9 Business and Professions Code sections 17200 *et seq.*, the Unfair Competition Law (“UCL”), and
10 17500 *et seq.*, the False Advertising Law (“FAL”), and involves sales, leases, or other wrongful
11 conduct or injuries occurring in California. The defendant is General Motors LLC (“Defendant” or
12 “GM”), which is based in Detroit, Michigan.

13 2. This case arises from GM’s egregious failure to disclose, and the affirmative
14 concealment of, at least 35 separate known defects in vehicles sold by GM, and by its predecessor,
15 “Old GM” (collectively, “GM-branded vehicles”). By concealing the existence of the many known
16 defects plaguing many models and years of GM-branded vehicles and the fact that GM values cost-
17 cutting over safety, and concurrently marketing the GM brand as “safe” and “reliable,” GM enticed
18 vehicle purchasers to buy GM vehicles under false pretenses.

19 3. This action seeks to hold GM liable only for its *own* acts and omissions *after* the
20 July 10, 2009 effective date of the Sale Order and Purchase Agreement through which GM
21 acquired virtually all of the assets and certain liabilities of Old GM.

22 4. A vehicle made by a reputable manufacturer of safe and reliable vehicles is worth
23 more than an otherwise similar vehicle made by a disreputable manufacturer that is known to
24 devalue safety and to conceal serious defects from consumers and regulators. GM Vehicle Safety
25 Chief Jeff Boyer has recently stated that: “Nothing is more important than the safety of our
26 customers in the vehicles they drive.” Yet GM failed to live up to this commitment, instead
27 choosing to conceal at least 35 serious defects in over 17 million GM-branded vehicles sold in the
28 United States (collectively, the “Defective Vehicles”).

1 5. The systematic concealment of known defects was deliberate, as GM followed a
2 consistent pattern of endless “investigation” and delay each time it became aware of a given defect.
3 In fact, recently revealed documents show that GM valued cost-cutting over safety, trained its
4 personnel to *never* use the words “defect,” “stall,” or other words suggesting that any GM-branded
5 vehicles are defective, routinely chose the cheapest part supplier without regard to safety, and
6 discouraged employees from acting to address safety issues.

7 6. Under the Transportation Recall Enhancement, Accountability and Documentation
8 Act (“TREAD Act”)¹ and its accompanying regulations, when a manufacturer learns that a vehicle
9 contains a safety defect, the manufacturer must promptly disclose the defect.² If it is determined
10 that the vehicle is defective, the manufacturer may be required to notify vehicle owners,
11 purchasers, and dealers of the defect, and may be required to remedy the defect.³

12 7. GM *explicitly assumed* the responsibilities to report safety defects with respect to
13 all GM-branded vehicles as required by the TREAD Act. GM also had the same duty under
14 California law.

15 8. When a manufacturer with TREAD Act responsibilities is aware of myriad safety
16 defects and fails to disclose them as GM has done, that manufacturer’s vehicles are not safe. And
17 when that manufacturer markets and sells its new vehicles by touting that its vehicles are “safe,” as
18 GM has also done, that manufacturer is engaging in deception.

19 9. GM has recently been forced to disclose that it had been concealing a large number
20 of known safety defects in GM-branded vehicles ever since its inception in 2009, and that other
21 defects arose on its watch due in large measure to GM’s focus on cost-cutting over safety, its
22 discouragement of raising safety issues and its training of employees to avoid using language such
23 as “stalls,” “defect” or “safety issue” in order to avoid attracting the attention of regulators. As a
24 result, GM has been forced to recall over 17 million vehicles in some 40 recalls covering 35
25 separate defects during the first five and a half months of this year –20 times more than during the
26

27 ¹ 49 U.S.C. §§ 30101-30170.

28 ² 49 U.S.C. § 30118(c)(1) & (2).

³ 49 U.S.C. § 30118(b)(2)(A) & (B).

1 same period in 2013. The cumulative negative effect on the value of the vehicles sold by GM has
2 been both foreseeable and significant.

3 10. The highest-profile defect concealed by GM concerns the ignition switches in more
4 than 1.5 million vehicles sold by GM's predecessor (the "ignition switch defect"). The ignition
5 switch defect can cause the affected vehicles' ignition switches to inadvertently move from the
6 "run" position to the "accessory" or "off" position during ordinary driving conditions, resulting in a
7 loss of power, vehicle speed control, and braking, as well as a failure of the vehicle's airbags to
8 deploy. GM continued to use defective ignition switches in "repairs" of vehicles it sold after July
9 10, 2009.

10 11. For the past five years, GM received reports of crashes and injuries that put GM on
11 notice of the serious safety issues presented by its ignition switch system. GM was aware of the
12 ignition switch defects (and many other serious defects in numerous models of GM-branded
13 vehicles) *from the very date of its inception on July 10, 2009.*

14 12. Yet, despite the dangerous nature of the ignition switch defects and the effects on
15 critical safety systems, GM concealed the existence of the defects and failed to remedy the problem
16 from the date of its inception until February of 2014. In February and March of 2014, GM issued
17 three recalls for a combined total of 2.19 million vehicles with the ignition switch defects.

18 13. On May 16, 2014, GM entered a Consent Order with NHTSA in which it admitted
19 that it violated the TREAD Act by not disclosing the ignition switch defect, and agreed to pay the
20 maximum available civil penalties for its violations.

21 14. Unfortunately for all owners of vehicles sold by GM, the ignition switch defect was
22 only one of a seemingly never-ending parade of recalls in the first half of 2014 – many concerning
23 safety defects that had been long known to GM.

24 15. Between 2003 and 2010, over 1.3 million GM-branded vehicles in the United States
25 were sold with a safety defect that causes the vehicle's electric power steering ("EPS") to suddenly
26 fail during ordinary driving conditions and revert back to manual steering, requiring greater effort
27 by the driver to steer the vehicle and increasing the risk of collisions and injuries (the "power
28 steering defect").

1 16. As with the ignition switch defect, GM was aware of the power steering defect from
2 the date of its inception, and concealed the defect for years.

3 17. From 2007 until at least 2013, nearly 1.2 million GM-branded vehicles were sold in
4 the United States with defective wiring harnesses. Increased resistance in the wiring harnesses of
5 driver and passenger seat-mounted, side-impact air bag (“SIAB”) in the affected vehicles may
6 cause the SIABs, front center airbags, and seat belt pretensioners to not deploy in a crash (the
7 “airbag defect”). The vehicles’ failure to deploy airbags and pretensioners in a crash increases the
8 risk of injury and death to the drivers and front-seat passengers.

9 18. Once again, GM knew of the dangerous airbag defect from the date of its inception
10 on July 10, 2009, but chose instead to conceal the defect, and marketed its vehicles as “safe” and
11 “reliable.”

12 19. To take just one more example, between 2003 and 2012, 2.4 million GM-branded
13 vehicles in the United States were sold with a wiring harness defect that could cause brake lamps to
14 fail to illuminate when the brakes are applied or cause them to illuminate when the brakes are not
15 engaged (the “brake light defect”). The same defect could also disable traction control, electronic
16 stability control, and panic braking assist operations. Though GM received hundreds of complaints
17 and was aware of at least 13 crashes caused by this defect, it waited until May of 2014 before
18 finally ordering a full recall.

19 20. As further detailed in this First Amended Complaint, the ignition switch, power
20 steering, airbag, and brake light defects are just 4 of the 35 separate defects that resulted in 40
21 recalls of GM-branded vehicles in the first five and a half months of 2014, affecting over 17
22 million vehicles. Most or all of these recalls are for safety defects, and many of the defects were
23 apparently known to GM, but concealed for years.

24 21. This case arises from GM’s breach of its obligations and duties, including but not
25 limited to: (i) its concealment of, and failure to disclose that, as a result of a spate of safety defects,
26 over 17 million Defective Vehicles were on the road nationwide – and many hundreds of thousands
27 in California; (ii) its failure to disclose the defects despite its TREAD Act obligations; (iii) its
28 failure to disclose that it devalued safety and systemically encouraged the concealment of known

1 defects; (iv) its continued use of defective ignition switches as replacement parts; (v) its sale of
2 used “GM certified” vehicles that were actually plagued with a variety of known safety defects;
3 and (vi) its repeated and false statements that its vehicles were safe and reliable, and that it stood
4 behind its vehicles after they were purchased.

5 22. From its inception in 2009, GM has known that many defects exist in millions of
6 GM-branded vehicles sold in the United States. But, to protect its profits and to avoid remediation
7 costs and a public relations nightmare, GM concealed the defects and their sometimes tragic
8 consequences.

9 23. GM violated the TREAD Act by failing to timely inform NHTSA of the myriad
10 safety defects plaguing GM-branded vehicles and allowed the Defective Vehicles to remain on the
11 road. In addition to violating the TREAD Act, GM fraudulently concealed the defects from owners
12 and from purchasers of new and used vehicles sold after July 10, 2009, and even used defective
13 ignition switches as replacement parts. These same acts and omissions also violated California law
14 as detailed below.

15 24. GM’s failure to disclose the many defects, as well as advertising and promotion
16 concerning GM’s record of building “safe” cars of high quality, violated California law.

17 II. PLAINTIFF’S AUTHORITY

18 25. Tony Rackauckas, District Attorney of the County of Orange, acting to protect the
19 public as consumers from unlawful, unfair, and fraudulent business practices, brings this action in
20 the public interest in the name of the People of the State of California for violations of the Unfair
21 Competition Law pursuant to California Business and Professions Code Sections 17200, 17204 and
22 17206, and for violations of the False Advertising Law pursuant to California Business and
23 Professions Code Sections 17500, 17535 and 17536. Plaintiff, by this action, seeks to enjoin GM
24 from engaging in the unlawful, unfair, and fraudulent business practices alleged herein, and seeks
25 civil penalties for GM’s violations of the above statutes.

1 **III. DEFENDANT**

2 26. Defendant General Motors LLC (“GM”) is a foreign limited liability company
3 formed under the laws of Delaware with its principal place of business located at 300 Renaissance
4 Center, Detroit, Michigan. GM was incorporated in 2009.

5 27. GM has significant contacts with Orange County, California, and the activities
6 complained of herein occurred, in whole or in part, in Orange County, California.

7 28. At all times mentioned GM was engaged in the business of designing,
8 manufacturing, distributing, marketing, selling, leasing, certifying, and warranting the GM cars
9 that are the subject of this First Amended Complaint, throughout the State of California, including
10 in Orange County, California.

11 **IV. JURISDICTION AND VENUE**

12 29. This Court has jurisdiction over this matter pursuant to the California Constitution,
13 Article XI, section 10 and California Code of Civil Procedure (“CCP”) section 410.10 because GM
14 transacted business and committed the acts complained of herein in California, specifically in the
15 County of Orange. The violations of law alleged herein were committed in Orange County and
16 elsewhere within the State of California.

17 30. Venue is proper in Orange County, California, pursuant to CCP section 395 and
18 because many of the acts complained about occurred in Orange County.

19 **V. FACTUAL BACKGROUND**

20 **A. There Are Serious Safety Defects in Millions of GM Vehicles Across Many Models**
21 **and Years, and, Until Recently, GM Concealed them from Consumers.**

22 31. In the first five and a half months of 2014, GM announced some 40 recalls affecting
23 over 17 million GM-branded vehicles from model years 2003-2014. The recalls concern 35
24 separate defects. The numbers of recalls and serious safety defects are unprecedented, and can
25 only lead to one conclusion: GM and its predecessor sold a large number of unsafe vehicle models
26 with myriad defects during a long period of time.

27 32. Even more disturbingly, the available evidence shows a common pattern: From its
28 inception in 2009, GM knew about an ever-growing list of serious safety defects in millions of

1 GM-branded vehicles, but concealed them from consumers and regulators in order to boost sales
2 and avoid the cost and publicity of recalls.

3 33. GM inherited from Old GM a company that valued cost-cutting over safety, actively
4 discouraged its personnel from taking a “hard line” on safety issues, avoided using “hot” words
5 like “stall” that might attract the attention of NHTSA and suggest that a recall was required, and
6 trained its employees to avoid the use of words such as “defect” that might flag the existence of a
7 safety issue. GM did nothing to change these practices.

8 34. The Center for Auto Safety recently stated that it has identified 2,004 death and
9 injury reports filed by GM with federal regulators in connection with vehicles that have recently
10 been recalled.⁴ Many of these deaths and injuries would have been avoided had GM complied with
11 its TREAD Act obligations over the past five years.

12 35. The many defects concealed by GM affected key safety systems in GM vehicles,
13 including the ignition, power steering, airbags, brake lights, gear shift systems, and seatbelts.

14 36. The available evidence shows a consistent pattern: GM learned about a particular
15 defect and, often at the prodding of regulatory authorities, “investigated” the defect and decided
16 upon a “root cause.” GM then took minimal action – such as issuing a carefully-worded
17 “Technical Service Bulletin” to its dealers, or even recalling a very small number of affected
18 vehicles. All the while, the true nature and scope of the defects were kept under wraps, vehicles
19 affected by the defects remained on the road, and GM enticed consumers to purchase its vehicles
20 by touting the safety, quality, and reliability of its vehicles, and presenting itself as a manufacturer
21 that stands behind its products.

22 37. The nine defects affecting the greatest number of vehicles are discussed in some
23 detail below, and the remainder are summarized thereafter.

24
25
26
27
28 ⁴ See *Thousands of Accident Reports Filed Involving Recalled GM Cars: Report*, Irvin Jackson
(June 3, 2014).

1 **1. The ignition switch defects.**

2 38. The ignition switch defects can cause the vehicle's engine and electrical systems to
3 shut off, disabling the power steering and power brakes and causing non-deployment of the
4 vehicle's airbag and the failure of the vehicle's seatbelt pretensioners in the event of a crash.

5 39. The ignition switch systems at issue are defective in at least three major respects.
6 The first is that the switches are simply weak; because of a faulty "detent plunger," the switch can
7 inadvertently move from the "run" to the "accessory" or "off" position.

8 40. The second defect is that, due to the low position of the ignition switch, the driver's
9 knee can easily bump the key (or the hanging fob below the key), and cause the switch to
10 inadvertently move from the "run" to the "accessory" or "off" position.

11 41. The third defect is that the airbags immediately become inoperable whenever the
12 ignition switch moves from the "run" to the "accessory" position. As NHTSA's Acting
13 Administrator, David Friedman, recently testified before Congress, NHTSA is not convinced that
14 the non-deployment of the airbags in the recalled vehicles is solely attributable to a mechanical
15 defect involving the ignition switch:

16 And it may be even more complicated than that, actually. And that's
17 one of the questions that we actually have in our timeliness query to
18 General Motors. It is possible that it's not simply that the – the
19 power was off, but a much more complicated situation where the
20 very specific action of moving from on to the accessory mode is what
21 didn't turn off the power, but may have disabled the algorithm.

22 That, to me, frankly, doesn't make sense. From my perspective, if a
23 vehicle – certainly if a vehicle is moving, the airbag's algorithm
24 should require those airbags to deploy. Even if the – even if the
25 vehicle is stopped and you turn from 'on' to 'accessory,' I believe
26 that the airbags should be able to deploy.

27 So this is exactly why we're asking General Motors this question, to
28 understand is it truly a power issue or is there something embedded
in their [software] algorithm that is causing this, something that
should have been there in their algorithm.⁵

⁵ Congressional Transcript, Testimony of David Friedman, Acting Administrator of NHTSA (Apr. 2, 2014), at 19.

1 42. Vehicles with defective ignition switches are, therefore, unreasonably prone to be
2 involved in accidents, and those accidents are unreasonably likely to result in serious bodily harm
3 or death to the drivers and passengers of the vehicles.

4 43. Alarming, GM knew of the deadly ignition switch defects and at least some of
5 their dangerous consequences from the date of its inception on July 10, 2009, but concealed its
6 knowledge from consumers and regulators.

7 44. In part, GM's knowledge of the ignition switch defects arises from the fact that key
8 personnel with knowledge of the defects remained in their same positions once GM took over from
9 Old GM.

10 45. For example, the Old GM Design Research Engineer who was responsible for the
11 rollout of the defective ignition switch in 2003 was Ray DeGiorgio. Mr. DeGiorgio continued to
12 serve as an engineer at GM until April 2014 when he was suspended as a result of his involvement in
13 the defective ignition switch problem. Later in 2014, in the wake of the GM Report,⁶ Mr. DeGiorgio
14 was fired.

15 46. In 2001, two years *before* vehicles with the defective ignition switches were ever
16 available to consumers, Old GM privately acknowledged in an internal pre-production report for
17 the model/year ("MY") 2003 Saturn Ion that there were problems with the ignition switch.⁷ Old
18 GM's own engineers had personally experienced problems with the ignition switch. In a section of
19 the internal report titled "Root Cause Summary," Old GM engineers identified "two causes of
20 failure," namely: "[l]ow contact force and low detent plunger force."⁸ The report also stated that
21 the GM person responsible for the issue was Ray DeGiorgio.⁹

22 47. Mr. DeGiorgio actively concealed the defect, both while working for Old GM *and*
23 while working for GM.

24

25

26 ⁶ References to the "GM Report" are to the "*Report to Board of Directors of General Motors
Company Regarding Ignition Switch Recalls*," Anton R. Valukas, Jenner & Block (May 29, 2014).

27 ⁷ GM Report/Complaint re "Electrical Concern" opened July 31, 2001, GMHEC000001980-90.

28 ⁸ *Id.* at GMHEC000001986.

⁹ *Id.* at GMHEC000001981, 1986.

1 48. Similarly, Gary Altman was Old GM's program-engineering manager for the
2 Cobalt, which is one of the models with the defective ignition switches and hit the market in MY
3 2005. He remained as an engineer at GM until he was suspended on April 10, 2014, by GM for his
4 role in the ignition switch problem and then fired in the wake of the GM Report.

5 49. On October 29, 2004, Mr. Altman test-drove a Cobalt. While he was driving, his
6 knee bumped the key and the vehicle shut down.

7 50. In response to the Altman incident, Old GM opened an engineering inquiry, known
8 as a "Problem Resolution Tracking System inquiry" ("PRTS"), to investigate the issue. According
9 to the chronology provided to NHTSA by GM in March 2014, engineers pinpointed the problem
10 and were "able to replicate this phenomenon during test drives."

11 51. The PRTS concluded in 2005 that:

12 There are two main reasons that we believe can cause a lower effort
13 in turning the key:

- 14 1. A low torque detent in the ignition switch and
- 15 2. A low position of the lock module in the column.¹⁰

16 52. The 2005 PRTS further demonstrates the knowledge of Ray DeGiorgio (who, like
17 Mr. Altman, worked for Old GM and continued until very recently working for GM), as the
18 PRTS's author states that "[a]fter talking to Ray DeGiorgio, I found out that it is close to
19 impossible to modify the present ignition switch. The switch itself is very fragile and doing any
20 further changes will lead to mechanical and/or electrical problems."¹¹

21 53. Gary Altman, program engineering manager for the 2005 Cobalt, recently admitted
22 that Old GM engineering managers (including himself and Mr. DeGiorgio) knew about ignition
23 switch problems in the vehicle that could disable power steering, power brakes, and airbags, but
24 launched the vehicle anyway because they believed that the vehicles could be safely coasted off the
25 road after a stall. Mr. Altman insisted that "the [Cobalt] was maneuverable and controllable" with
26 the power steering and power brakes inoperable.

27 ¹⁰ Feb. 1, 2005 PRTS at GMHEC000001733.

28 ¹¹ *Id.*

1 54. Incredibly, GM now claims that it and Old GM did not view vehicle stalling and the
2 loss of power steering as a “safety issue,” but only as a “customer convenience” issue.¹² GM bases
3 this claim on the equally incredible assertion that, at least for some period of time, it was not aware
4 that when the ignition switch moves to the “accessory” position, the airbags become inoperable –
5 even though Old GM itself designed the airbags to not deploy under that circumstance.¹³

6 55. Even crediting GM’s claim that some at the Company were unaware of the rather
7 obvious connection between the defective ignition switches and airbag non-deployment, a stall and
8 loss of power steering and power brakes is a serious safety issue under any objective view. GM
9 itself recognized in 2010 that a loss of power steering *standing alone* was grounds for a safety
10 recall, as it did a recall on such grounds.

11 56. In fact, as multiple GM employees confirm, GM *intentionally* avoids using the
12 word “stall” “because such language might draw the attention of NHTSA” and “may raise a
13 concern about safety, which suggests GM should recall the vehicle....”¹⁴

14 57. Rather than publicly admitting the dangerous safety defects in the vehicles with the
15 defective ignition switches, GM attempted to attribute these and other incidents to “driver error.”
16 GM continued to receive reports of deaths in Cobalts involving steering and/or airbag failures from
17 its inception up through at least 2012.

18 58. In April 2006, the GM design engineer who was responsible for the ignition switch
19 in the recalled vehicles, Design Research Engineer Ray DeGiorgio, authorized part supplier Delphi
20 to implement changes to fix the ignition switch defect.¹⁵ The design change “was implemented to
21 increase torque performance in the switch.”¹⁶ However, testing showed that, even with the
22 proposed change, the performance of the ignition switch was *still* below original specifications.¹⁷

23
24 ¹² GM Report at 2.

25 ¹³ *Id.*

26 ¹⁴ GM Report at 92-93.

27 ¹⁵ General Motors Commodity Validation Sign-Off (Apr. 26, 2006), GMHEC000003201. *See*
28 also GM Mar. 11, 2014 Ltr. to NHTSA, attached chronology at 2.

¹⁶ *Id.*

¹⁷ Delphi Briefing, Mar. 27, 2014.

1 59. Modified ignition switches – with greater torque – started to be installed in 2007
2 model/year vehicles.¹⁸ In what a high-level engineer at Old GM now calls a “cardinal sin” and “an
3 extraordinary violation of internal processes,” Old GM changed the part design ***but kept the old***
4 ***part number***.¹⁹ That makes it impossible to determine from the part number alone which GM
5 vehicles produced after 2007 contain the defective ignition switches.

6 60. At a May 15, 2009 meeting, Old GM engineers (soon to be GM engineers) learned
7 that data in the black boxes of Chevrolet Cobalts showed that the dangerous ignition switch defects
8 existed in hundreds of thousands of Defective Vehicles. But still GM did not reveal the defect to
9 NHTSA, Plaintiff, or consumers.

10 61. After the May 15, 2009 meeting, GM continued to get complaints of unintended
11 shut down and continued to investigate frontal crashes in which the airbags did not deploy.

12 62. After the May 15, 2009 meeting, GM told the families of accident victims related to
13 the ignition switch defects that it did not have sufficient evidence to conclude that there was any
14 defect. In one case involving the ignition switch defects, GM threatened to sue the family of an
15 accident victim for reimbursement of its legal fees if the family did not dismiss its lawsuit. In
16 another, GM sent the victim’s family a terse letter, saying there was no basis for any claims against
17 GM. These statements were part of GM’s campaign of deception.

18 63. In July 2011, GM legal staff and engineers met regarding an investigation of crashes
19 in which the air bags did not deploy. The next month, in August 2011, GM initiated a Field
20 Performance Evaluation (“FPE”) to analyze multiple frontal impact crashes involving MY 2005-
21 2007 Chevrolet Cobalt vehicles and 2007 Pontiac G5 vehicles, as well as a review of information
22 related to the Ion, HHR, and Solstice vehicles, and airbag non-deployment.²⁰

23 64. GM continued to conceal and deny what it privately knew – that the ignition
24 switches were defective. For example, in May 2012, GM engineers tested the torque of the
25

26 ¹⁸ GM Mar. 11, 2014 Ltr. to NHTSA, attached chronology at 2.

27 ¹⁹ “*‘Cardinal sin’: Former GM engineers say quiet ‘06 redesign of faulty ignition switch was a*
28 *major violation of protocol.*” *Automotive News* (Mar. 26, 2014).

²⁰ GM Mar. 11, 2014 Ltr. to NHTSA, attached chronology at 2.

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1 ignition switches in numerous Old GM vehicles.²¹ The results from the GM testing showed that
2 the majority of the vehicles tested from the 2003 to 2007 model/years had torque performance at or
3 below 10 Newton centimeters (“Ncm”), which was below the original design specifications
4 required by GM.²² Around the same time, high ranking GM personnel continued to internally
5 review the history of the ignition switch issue.²³

6 65. In September 2012, GM had a GM Red X Team Engineer (a special engineer
7 assigned to find the root cause of an engineering design defect) examine the changes between the
8 2007 and 2008 Chevrolet Cobalt models following reported crashes where the airbags failed to
9 deploy and the ignition switch was found in the “off” or “accessory” position.²⁴

10 66. The next month, in October of 2012, Design Research Engineer Ray DeGiorgio (the
11 lead engineer on the defective ignition switch) sent an email to Brian Stouffer of GM regarding the
12 “2005-7 Cobalt and Ignition Switch Effort,” stating: “If we replaced switches on ALL the model
13 years, i.e., 2005, 2006, 2007 the piece price would be about \$10.00 per switch.”²⁵

14 67. The October 2012 email makes clear that GM considered implementing a recall to
15 fix the defective ignition switches in the Chevy Cobalt vehicles, but declined to do so in order to
16 save money.

17 68. In April 2013, GM again *internally* acknowledged that it understood that there was
18 a difference in the torque performance between the ignition switch parts in later model Chevrolet
19 Cobalt vehicles compared with the 2003-2007 model/year vehicles.²⁶

20 69. Notwithstanding what GM actually knew and privately acknowledged,²⁷ its public
21 statements and position in litigation was radically different. For example, in May 2013, Brian
22 Stouffer testified in deposition in a personal injury action (*Melton v. General Motors*) that the Ncm

23 ²¹ GMHEC000221427; *see also* Mar. 11, 2014 Ltr. to NHTSA, attached chronology.

24 ²² *Id.*

25 ²³ GMHEC000221438.

26 ²⁴ Email from GM Field Performance Assessment Engineer to GM Red X Team Engineer
(Sept. 6, 2012, 1:29:14 p.m., GMHEC000136204).

27 ²⁵ GMHEC000221539.

28 ²⁶ GM Mar. 11, 2014 Ltr. to NHTSA, attached chronology at 4.

²⁷ *See* GMHEC000221427.

1 performance (a measurement of the strength of the ignition switch) was **not** substantially different
2 as between the early (*e.g.*, 2005) and later model year (*e.g.*, 2008) Chevrolet Cobalt vehicles.²⁸

3 70. Similarly, a month before Mr. Stouffer's testimony, in April 2013, GM engineer
4 Ray DeGiorgio denied the existence of any type of ignition switch defect:

5 Q: Did you look at, as a potential failure mode for this switch, the
6 ease of which the key could be moved from run to accessory?

7 ...

8 THE WITNESS: No, because in our minds, moving the key from, I
9 want to say, ***run to accessory is not a failure mode, it is an expected***
10 ***condition***. It is important for the customer to be able to rotate the
11 key fore and aft, so as long as we meet those requirements, ***it's not***
12 ***deemed as a risk***.

13 Q: Well, it's not expected to move from run to accessory when
14 you're driving down the road at 55 miles an hour, is it?

15 ...

16 THE WITNESS: ***It is expected for the key to be easily and***
17 ***smoothly transitioned from one state to the other*** without binding
18 and without harsh actuations.

19 Q: And why do you have a minimum torque requirement from run to
20 accessory?

21 ...

22 THE WITNESS: It's a design feature that is required. You don't
23 want anything flopping around. You want to be able to control the
24 dimensions and basically provide – one of the requirements in this
25 document talks about having a smooth transition from detent to
26 detent. One of the criticisms – I shouldn't say criticisms. One of the
27 customer complaints we have had in the – and previous to this was
28 he had cheap feeling switches, they were cheap feeling, they were
higher effort, and the intent of this design was to provide a smooth
actuation, provide a high feeling of a robust design. That was the
intent.

Q: I assume the intent was also to make sure that when people were
using the vehicle under ordinary driving conditions, that if the key
was in the run position, it wouldn't just move to the accessory
position, correct?

...

²⁸ GMHEC000146933. That said, "[t]he modified switches used in 2007-2011 vehicles were also approved by GM despite not meeting company specifications." Mar. 31, 2014 Ltr. to Mary Barra from H. Waxman, D. DeGette, and J. Schankowsky.

1 A: That is correct, but also – it was not intended – *the intent was to*
2 *make the transition to go from run to off with relative ease.*²⁹

3 71. Brian Stouffer, in an email to Delphi regarding the ignition switch in the Chevy
4 Cobalt, acknowledged that the ignition switch in early Cobalt vehicles – although bearing the same
5 part number – was different than the ignition switch in later Cobalt vehicles.³⁰ Mr. Stouffer
6 claimed that “[t]he discovery of the plunger and spring change was made aware to GM during a
7 [sic] course of a lawsuit (*Melton v. GM*).”³¹ Delphi personnel responded that GM had authorized
8 the change back in 2006 but the part number had remained the same.³²

9 72. Eventually, the defect could no longer be ignored or swept under the rug.

10 73. After analysis by GM’s Field Performance Review Committee and the Executive
11 Field Action Decision Committee (“EFADC”), the EFADC finally ordered a recall of *some* of the
12 vehicles with defective ignition switches on January 31, 2014.

13 74. Initially, the EFADC ordered a recall of only the Chevrolet Cobalt and Pontiac G5
14 for model years 2005-2007.

15 75. After additional analysis, the EFADC expanded the recall on February 24, 2014, to
16 include the Chevrolet HHR and Pontiac Solstice for model years 2006 and 2007, the Saturn Ion for
17 model years 2003-2007, and the Saturn Sky for model year 2007.

18 76. Most recently, on March 28, 2014, GM expanded the recall a third time, to include
19 Chevrolet Cobalts, Pontiac G5s and Solstices, Saturn Ions and Skys from the 2008 through 2010
20 model years, and Chevrolet HHRs from the 2008 through 2011 model years.

21 77. All told, GM has recalled some 2.19 million vehicles in connection with the ignition
22 switch defect.

23 78. In a video message addressed to GM employees on March 17, 2014, CEO Mary
24 Barra admitted that the Company had made mistakes and needed to change its processes.

25
26 ²⁹ GMHEC000138906 (emphasis added).

27 ³⁰ GMHEC000003197.

28 ³¹ *Id.* See also GMHEC000003156-3180.

³² See GMHEC000003192-93.

1 79. According to Ms. Barra, “[s]omething went terribly wrong in our processes in this
2 instance, and terrible things happened.” Barra went on to promise, “[w]e will be better because of
3 this tragic situation if we seize this opportunity.”³³

4 80. Based on its egregious conduct in concealing the ignition switch defect, GM
5 recently agreed to pay the maximum possible civil penalty in a Consent Order with the National
6 Highway Traffic Safety Administration (“NHTSA”) and admitted that it had violated its legal
7 obligations to promptly disclose the existence of known safety defects.

8 **2. The power steering defect.**

9 81. Between 2003 and 2010, over 1.3 million GM-branded vehicles in the United States
10 were sold with a safety defect that causes the vehicle’s electric power steering (“EPS”) to suddenly
11 fail during ordinary driving conditions and revert back to manual steering, requiring greater effort
12 by the driver to steer the vehicle and increasing the risk of collisions and injuries.

13 82. As with the ignition switch defects, GM was aware of the power steering defect
14 long before it took anything approaching full remedial action.

15 83. When the power steering fails, a message appears on the vehicle’s dashboard, and a
16 chime sounds to inform the driver. Although steering control can be maintained through manual
17 steering, greater driver effort is required, and the risk of an accident is increased.

18 84. In 2010, GM first recalled Chevy Cobalt and Pontiac G5 models for these power
19 steering issues, yet it did *not* recall the many other vehicles that had the very same power steering
20 defect.

21 85. Documents released by NHTSA show that GM waited years to recall nearly
22 335,000 Saturn Ions for power steering failure – despite receiving nearly 4,800 consumer
23 complaints and more than 30,000 claims for warranty repairs. That translates to a complaint rate of
24 14.3 incidents per thousand vehicles and a warranty claim rate of 9.1 percent. By way of
25
26
27

28 ³³ “*Something Went ‘Very Wrong’ at G.M., Chief Says.*” N.Y. TIMES (Mar. 18, 2014).

1 comparison, NHTSA has described as “high” a complaint rate of 250 complaints per 100,000
2 vehicles.³⁴ Here, the rate translates to 1430 complaints per 100,000 vehicles.

3 86. In response to the consumer complaints, in September 2011 NHTSA opened an
4 investigation into the power steering defect in Saturn Ions.

5 87. NHTSA database records show complaints from Ion owners as early as June 2004,
6 with the first injury reported in May 2007.

7 88. NHTSA linked approximately 12 crashes and two injuries to the power steering
8 defect in the Ions.

9 89. In 2011, GM missed yet another opportunity to recall the additional vehicles with
10 faulty power steering when CEO Mary Barra – then head of product development – was advised by
11 engineer Terry Woychowski that there was a serious power steering issue in Saturn Ions.
12 Ms. Barra was also informed of the ongoing NHTSA investigation. At the time, NHTSA
13 reportedly came close to concluding that Saturn Ions should have been included in GM’s 2005
14 steering recall of Cobalt and G5 vehicles.

15 90. Yet GM took no action for four years. It wasn’t until March 31, 2014, that GM
16 finally recalled the approximately 1.3 million vehicles in the United States affected by the power
17 steering defect.

18 91. After announcing the March 31, 2014 recall, Jeff Boyer, GM’s Vice President of
19 Global Vehicle Safety, acknowledged that GM recalled some of these same vehicle models
20 previously for the *same issue*, but that GM “did not do enough.”

21 **3. Airbag defect.**³⁵

22 92. From 2007 until at least 2013, nearly 1.2 million GM-branded vehicles in the United
23 States were sold with defective wiring harnesses. Increased resistance in the wiring harnesses of
24 driver and passenger seat-mounted, side-impact air bag (“SIAB”) in the affected vehicles may
25 cause the SIABs, front center airbags, and seat belt pretensioners to not deploy in a crash. The

26
27 ³⁴ See http://www-odi.nhtsa.dot.gov/cars/problems/defect/-results.cfm?action_number=EA06002&SearchType=QuickSearch&summary=true.

28 ³⁵ This defect is distinct from the airbag component of the ignition switch defect discussed above and from other airbag defects affecting a smaller number of vehicles, discussed below.

1 vehicles' failure to deploy airbags and pretensioners in a crash increases the risk of injury and
2 death to the drivers and front-seat passengers.

3 93. Once again, GM knew of the dangerous airbag defect long before it took anything
4 approaching the requisite remedial action.

5 94. As the wiring harness connectors in the SIABs corrode or loosen over time,
6 resistance will increase. The airbag sensing system will interpret this increase in resistance as a
7 fault, which then triggers illumination of the "SERVICE AIR BAG" message on the vehicle's
8 dashboard. This message may be intermittent at first and the airbags and pretensioners will still
9 deploy. But over time, the resistance can build to the point where the SIABs, pretensioners, and
10 front center airbags will not deploy in the event of a collision.³⁶

11 95. The problem apparently arose when GM made the switch from using gold-plated
12 terminals to connect its wire harnesses to cheaper tin terminals in 2007.

13 96. In June 2008, Old GM noticed increased warranty claims for airbag service on
14 certain of its vehicles and determined it was due to increased resistance in airbag wiring. After
15 analysis of the tin connectors in September 2008, Old GM determined that corrosion and wear to
16 the connectors was causing the increased resistance in the airbag wiring. It released a technical
17 service bulletin on November 25, 2008, for 2008-2009 Buick Enclaves, 2009 Chevy Traverse,
18 2008-2009 GMC Acadia, and 2008-2009 Saturn Outlook models, instructing dealers to repair the
19 defect by using Nyogel grease, securing the connectors, and adding slack to the line. Old GM also
20 began the transition back to gold-plated terminals in certain vehicles. At that point, Old GM
21 suspended all investigation into the defective airbag wiring and took no further action.³⁷

22 97. In November 2009, GM learned of similar reports of increased airbag service
23 messages in 2010 Chevy Malibu and 2010 Pontiac G6 vehicles. After investigation, GM
24 concluded that corrosion and wear in the same tin connector was the root of the airbag problems in
25 the Malibu and G6 models.³⁸

26
27 ³⁶ See GM Notice to NHTSA dated March 17, 2014, at 1.

28 ³⁷ See GM Notification Campaign No. 14V-118 dated March 31, 2014, at 1-2.

³⁸ See *id.*, at 2.

1 98. In January 2010, after review of the Malibu and G6 airbag connector issues, GM
2 concluded that ignoring the service airbag message could increase the resistance such that an SIAB
3 might not deploy in a side impact collision. On May 11, 2010, GM issued a Customer Satisfaction
4 Bulletin for the Malibu and G6 models and instructed dealers to secure both front seat-mounted,
5 side-impact airbag wire harnesses and, if necessary, reroute the wire harness.³⁹

6 99. From February to May 2010, GM revisited the data on vehicles with faulty harness
7 wiring issues, and noted another spike in the volume of the airbag service warranty claims. This
8 led GM to conclude that the November 2008 bulletin was “not entirely effective in correcting the
9 [wiring defect present in the vehicles].” On November 23, 2010, GM issued another Customer
10 Satisfaction Bulletin for certain 2008 Buick Enclave, 2008 Saturn Outlook, and 2008 GMC Acadia
11 models built from October 2007 to March 2008, instructing dealers to secure SIAB harnesses and
12 re-route or replace the SIAB connectors.⁴⁰

13 100. GM issued a revised Customer Service Bulletin on February 3, 2011, requiring
14 replacement of the front seat-mounted side-impact airbag connectors in the same faulty vehicles
15 mentioned in the November 2010 bulletin. In July 2011, GM again replaced its connector, this
16 time with a Tyco-manufactured connector featuring a silver-sealed terminal.⁴¹

17 101. But in 2012, GM noticed another spike in the volume of warranty claims relating to
18 SIAB connectors in vehicles built in the second half of 2011. After further analysis of the Tyco
19 connectors, it discovered that inadequate crimping of the connector terminal was causing increased
20 system resistance. In response, GM issued an internal bulletin for 2011-12 Buick Enclave, Chevy
21 Traverse, and GMC Acadia vehicles, recommending dealers repair affected vehicles by replacing
22 the original connector with a new sealed connector.⁴²

23 102. The defect was still uncured, however, because in 2013 GM again marked an
24 increase in service repairs and buyback activity due to illuminated airbag service lights. On
25

26 ³⁹ See *id.*

27 ⁴⁰ See *id.*, at 3.

28 ⁴¹ See *id.*

⁴² See *id.*, at 4.

1 October 4, 2013, GM opened an investigation into airbag connector issues in 2011-2013 Buick
2 Enclave, Chevy Traverse, and GMC Acadia models. The investigation revealed an increase in
3 warranty claims for vehicles built in late 2011 and early 2012.⁴³

4 103. On February 10, 2014, GM concluded that corrosion and crimping issues were again
5 the root cause of the airbag problems.⁴⁴

6 104. GM initially planned to issue a less-urgent Customer Satisfaction Program to
7 address the airbag flaw in the 2010-2013 vehicles. But it wasn't until a call with NHTSA on
8 March 14, 2014, that GM finally issued a full-blown safety recall on the vehicles with the faulty
9 harness wiring – years after it first learned of the defective airbag connectors, after four
10 investigations into the defect, and after issuing at least six service bulletins on the topic. The recall
11 as first approved covered only 912,000 vehicles, but on March 16, 2014, it was increased to cover
12 approximately 1.2 million vehicles.⁴⁵

13 105. On March 17, 2014, GM issued a recall for 1,176,407 vehicles potentially afflicted
14 with the defective airbag system. The recall instructs dealers to remove driver and passenger SIAB
15 connectors and splice and solder the wires together.⁴⁶

16 **4. The brake light defect.**

17 106. Between 2004 and 2012, approximately 2.4 million GM-branded vehicles in the
18 United States were sold with a safety defect that can cause brake lamps to fail to illuminate when
19 the brakes are applied or to illuminate when the brakes are not engaged; the same defect can
20 disable cruise control, traction control, electronic stability control, and panic brake assist operation,
21 thereby increasing the risk of collisions and injuries.⁴⁷

22 107. Once again, GM knew of the dangerous brake light defect for years before it took
23 anything approaching the requisite remedial action. In fact, although the brake light defect has
24

25 ⁴³ See *id.*

26 ⁴⁴ See *id.*, at 5.

27 ⁴⁵ See *id.*

28 ⁴⁶ See *id.*

⁴⁷ See GM Notification Campaign No. 14V-252 dated May 28, 2014, at 1.

1 caused at least 13 crashes since 2008, GM did not recall all 2.4 million vehicles with the defect
2 until May 2014.

3 108. The vehicles with the brake light defect include the 2004-2012 Chevrolet Malibu,
4 the 2004-2007 Malibu Maxx, the 2005-2010 Pontiac G6, and the 2007-2010 Saturn Aura.⁴⁸

5 109. According to GM, the brake defect originates in the Body Control Module (BCM)
6 connection system. "Increased resistance can develop in the [BCM] connection system and result
7 in voltage fluctuations or intermittency in the Brake Apply Sensor (BAS) circuit that can cause
8 service brakes lamp malfunction."⁴⁹ The result is brake lamps that may illuminate when the brakes
9 are not being applied and may not illuminate when the brakes are being applied.⁵⁰

10 110. The same defect can also cause the vehicle to get stuck in cruise control if it is
11 engaged, or cause cruise control to not engage, and may also disable the traction control, electronic
12 stability control, and panic-braking assist features.⁵¹

13 111. GM now acknowledges that the brake light defect "may increase the risk of a
14 crash."⁵²

15 112. As early as September 2008, NHTSA opened an investigation for model year 2005-
16 2007 Pontiac G6 vehicles involving allegations that the brake lights may turn on when the driver
17 had not depressed the brake pedal and may turn on when the brake pedal was depressed.⁵³

18 113. During its investigation of the brake light defect in 2008, Old GM found elevated
19 warranty claims for the brake light defect for MY 2005 and 2006 vehicles built in January 2005,
20 and found "fretting corrosion in the BCM C2 connector was the root cause" of the problem.⁵⁴ Old
21 GM and its part supplier Delphi decided that applying dielectric grease to the BCM C2 connector
22

23
24 ⁴⁸ *Id.*

25 ⁴⁹ *Id.*

26 ⁵⁰ *Id.*

27 ⁵¹ *Id.*

28 ⁵² *Id.*

⁵³ *Id.* at 2.

⁵⁴ *Id.*

1 would be “an effective countermeasure to the fretting corrosion.”⁵⁵ Beginning in November of
2 2008, the company began applying dielectric grease in its vehicle assembly plants.⁵⁶

3 114. On December 4, 2008, Old GM issued a TSB recommending the application of
4 dielectric grease to the BCM C2 connector for the MY 2005-2009, Pontiac G6, 2004-2007
5 Chevrolet Malibu/Malibu Maxx and 2008 Malibu Classic and 2007-2009 Saturn Aura vehicles.⁵⁷
6 One month later, in January 2009, Old GM recalled only a small subset of the vehicles with the
7 brake light defect – 8,000 MY 2005-2006 Pontiac G6 vehicles built during the month of January,
8 2005.⁵⁸

9 115. Not surprisingly, the brake light problem was far from resolved.

10 116. In October 2010, GM released an updated TSB regarding “intermittent brake lamp
11 malfunctions,” and added MY 2008-2009 Chevrolet Malibu/Malibu Maxx vehicles to the list of
12 vehicles for which it recommended the application of dielectric grease to the BCM C2 connector.⁵⁹

13 117. In September of 2011, GM received an information request from Canadian
14 authorities regarding brake light defect complaints in vehicles that had not yet been recalled. Then,
15 in June 2012, NHTSA provided GM with additional complaints “that were outside of the build
16 dates for the brake lamp malfunctions on the Pontiac G6” vehicles that had been recalled.⁶⁰

17 118. In February of 2013, NHTSA opened a “Recall Query” in the face of 324
18 complaints “that the brake lights do not operate properly” in Pontiac G6, Malibu and Aura vehicles
19 that had not yet been recalled.⁶¹

20 119. In response, GM asserts that it “investigated these occurrences looking for root
21 causes that could be additional contributors to the previously identified fretting corrosion,” but that
22
23

24 ⁵⁵ *Id.*

25 ⁵⁶ *Id.* at 3.

26 ⁵⁷ *Id.* at 2.

27 ⁵⁸ *Id.*

28 ⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ *Id.* at 3.

1 it continued to believe that “fretting corrosion in the BCM C2 connector” was the “root cause” of
2 the brake light defect.⁶²

3 120. In June of 2013, NHTSA upgraded its “Recall Query” concerning brake light
4 problems to an “Engineering Analysis.”⁶³

5 121. In August 2013, GM found an elevated warranty rate for BCM C2 connectors in
6 vehicles built *after* Old GM had begun applying dielectric grease to BCM C2 connectors at its
7 assembly plants in November of 2008.⁶⁴ In November of 2013, GM concluded that “the amount of
8 dielectric grease applied in the assembly plant starting November 2008 was insufficient....”⁶⁵

9 122. Finally, in March of 2014, “GM engineering teams began conducting analysis and
10 physical testing to measure the effectiveness of potential countermeasures to address fretting
11 corrosion. As a result, GM determined that additional remedies were needed to address fretting
12 corrosion.”⁶⁶

13 123. On May 7, 2014, GM’s Executive Field Action Decision Committee finally decided
14 to conduct a safety recall.

15 124. According to GM, “Dealers are to attach the wiring harness to the BCM with a
16 spacer, apply dielectric lubricant to both the BCM CR and harness connector, and on the BAS and
17 harness connector, and relearn the brake pedal home position.”⁶⁷

18 125. Once again, GM sat on and concealed its knowledge of the brake light defect, and
19 did not even consider available countermeasures (other than the application of grease that had
20 proven ineffective) until March of this year.

21 **5. Shift cable defect**

22 126. From 2004 through 2010, more than 1.1 million GM-branded vehicles were sold
23 throughout the United States with a dangerously defective transmission shift cable. The shift cable

24 ⁶² *Id.*

25 ⁶³ *Id.*

26 ⁶⁴ *Id.*

27 ⁶⁵ *Id.*

28 ⁶⁶ *Id.* at 4.

⁶⁷ *Id.*

1 may fracture at any time, preventing the driver from switching gears or placing the transmission in
2 the “park” position. According to GM, “[i]f the driver cannot place the vehicle in park, and exits
3 the vehicle without applying the park brake, the vehicle could roll away and a crash could occur
4 without prior warning.”⁶⁸

5 127. Yet again, GM knew of the shift cable defect long before it issued the recent recall
6 of more than 1.1 million vehicles with the defect.

7 128. In May of 2011, NHTSA informed GM that it had opened an investigation into
8 failed transmission cables in 2007 model year Saturn Aura vehicles. In response, GM noted “a
9 cable failure model in which a tear to the conduit jacket could allow moisture to corrode the
10 interior steel wires, resulting in degradation of shift cable performance, and eventually, a possible
11 shift cable failure.”⁶⁹

12 129. Upon reviewing these findings, GM’s Executive Field Action Committee conducted
13 a “special coverage field action for the 2007-2008 MY Saturn Aura vehicles equipped with 4 speed
14 transmissions and built with Leggett & Platt cables.” GM apparently chose that cut-off date
15 because, on November 1, 2007, Kongsberg Automotive replaced Leggett & Platt as the cable
16 provider.⁷⁰

17 130. GM did not recall any of the vehicles with the shift cable defect at this time, and
18 limited its “special coverage field action” to the 2007-2008 Aura vehicles even though “the same
19 or similar Leggett & Platt cables were used on ... Pontiac G6 and Chevrolet Malibu (MMX380)
20 vehicles.”

21 131. In March 2012, NHTSA sent GM an Engineering Assessment request to investigate
22 transmission shift cable failures in 2007-2008 MY Auras, Pontiac G6s, and Chevrolet Malibus.⁷¹

23 132. In responding to the Engineering Assessment request, GM for the first time “noticed
24 elevated warranty rates in vehicles built with Kongsberg shift cables.” Similar to their predecessor
25

26 ⁶⁸ See GM letter to NHTSA Re: NHTSA Campaign No. 14V-224 dated May 22, 2014, at 1.

27 ⁶⁹ *Id.* at 2.

28 ⁷⁰ *Id.*

⁷¹ *Id.*

1 vehicles built with Leggett & Platt shift cables, in the vehicles built with Kongsberg shift cables
2 “the tabs on the transmission shift cable end may fracture and separate without warning, resulting
3 in failure of the transmission shift cable and possible unintended vehicle movement.”⁷²

4 133. Finally, on September 13, 2012, the Executive Field Action Decision Committee
5 decided to conduct a safety recall. This initial recall was limited to 2008-2010 MY Saturn Aura,
6 Pontiac G6, and Chevrolet Malibu vehicles with 4-speed transmission built with Kongsberg shifter
7 cables, as well as 2007-2008 MY Saturn Aura and 2005-2007 MY Pontiac G6 vehicles with 4-
8 speed transmissions which may have been serviced with Kongsberg shift cables.⁷³

9 134. But the shift cable problem was far from resolved.

10 135. In March of 2013, NHTSA sent GM a second Engineering Assessment concerning
11 allegations of failure of the transmission shift cables on all 2007-2008 MY Saturn Aura, Chevrolet
12 Malibu, and Pontiac G6 vehicles.⁷⁴

13 136. GM continued its standard process of “investigation” and delay. But by May 9,
14 2014, GM was forced to concede that “the same cable failure mode found with the Saturn Aura 4-
15 speed transmission” was present in a wide population of vehicles.⁷⁵

16 137. Finally, on May 19, 2014, GM’s Executive Field Actions Decision Committee
17 decided to conduct a safety recall of more than 1.1 million vehicles with the defective shift cable
18 issue, including the following models and years (as of May 23, 2014): MY 2007-2008 Chevrolet
19 Saturn; MY 2004-2008 Chevrolet Malibu; MY 2004-2007 Chevrolet Malibu Maxx; and MY 2005-
20 2008 Pontiac G6.

21 **6. Safety belt defect.**

22 138. Between the years 2008-2014, more than 1.4 million GM-branded vehicles were
23 sold with a dangerous safety belt defect. According to GM, “[t]he flexible steel cable that connects
24 the safety belt to the vehicle at the outside of the front outside of the front outboard seating
25

26 ⁷² *Id.*

27 ⁷³ *Id.*

28 ⁷⁴ *Id.*

⁷⁵ *Id.*

1 positions can fatigue and separate over time as a result of occupant movement into the seat. In a
2 crash, a separated cable could increase the risk of injury to the occupant.”⁷⁶

3 139. On information and belief, GM knew of the safety belt defect long before it issued
4 the recent recall of more than 1.3 million vehicles with the defect.

5 140. While GM has yet to submit its full chronology of events to NHTSA, suffice to say
6 that GM has waited some five years before disclosing this defect. This delay is consistent with
7 GM’s long period of concealment of the other defects as set forth above.

8 141. On May 19, 2014, GM’s Executive Field Action Decision Committee decided to
9 conduct a recall of the following models and years in connection with the safety belt defect: MY
10 2009-2014 Buick Enclave; MY 2009-2014 Chevrolet Traverse; MY 2009-2014 GMC Acadia; and
11 MY 2009-2010 Saturn Outlook.

12 **7. Ignition lock cylinder defect.**

13 142. On April 9, 2014, GM recalled 2,191,014 GM-branded vehicles to address faulty
14 ignition lock cylinders.⁷⁷ Though the vehicles are the same as those affected by the ignition switch
15 defect,⁷⁸ the lock cylinder defect is distinct.

16 143. In these vehicles, faulty ignition lock cylinders can allow removal of the ignition
17 key while the engine is not in the “Off” position. If the ignition key is removed when the ignition
18 is not in the “Off” position, unintended vehicle motion may occur. That could cause a vehicle
19 crash and injury to the vehicle’s occupants or pedestrians. As a result, some of the vehicles with
20 faulty ignition lock cylinders may fail to conform to Federal Motor Vehicle Safety Standard
21 number 114, “*Theft Prevention and Rollaway Prevention*.”⁷⁹

22 144. On information and belief, GM was aware of the ignition lock cylinder defect for
23 years before finally acting to remedy it.

24
25
26 ⁷⁶ See GM Notice to NHTSA dated May 19, 2014, at 1.

27 ⁷⁷ See GM Notice to NHTSA dated April 9, 2014.

28 ⁷⁸ Namely, MY 2005-2010 Chevrolet Cobalts, 2005-2011 Chevrolet HHRs, 2007-2010 Pontiac
G5s, 2003-2007 Saturn Ions, and 2007-2010 Saturn Skys.

⁷⁹ GM Notice to NHTSA dated April 9, 2014, at 1.

1 **8. The Camaro key-design defect.**

2 145. On June 13, 2014, GM recalled more than 500,000 MY 2010-2014 Chevrolet
3 Camaros because a driver's knee can bump the key fob out of the "run" position and cause the
4 vehicle to lose power. This issue that has led to at least three crashes. GM said it learned of the
5 issue which primarily affects drivers who sit close to the steering wheel, during internal testing it
6 conducted following its massive ignition switch recall earlier this year. GM knows of three crashes
7 that resulted in four minor injuries attributed to this defect.

8 **9. The ignition key defect.**

9 146. On June 16, 2014, GM announced a recall of 3.36 million cars due to a problem
10 with keys that can turn off ignitions and deactivate air bags, a problem similar to the ignition
11 switch defects in the 2.19 million cars recalled earlier in the year.

12 147. The company said that keys laden with extra weight – such as additional keys or
13 objects attached to a key ring – could inadvertently switch the vehicle's engine off if the car struck
14 a pothole or crossed railroad tracks.

15 148. GM said it was aware of eight accidents and six injuries related to the defect.

16 149. As early as December 2000, drivers of the Chevrolet Impala and the other newly
17 recalled cars began lodging complaints about stalling with the National Highway Traffic Safety
18 Administration. "When foot is taken off accelerator, car will stall without warning," one driver of
19 a 2000 Cadillac Deville told regulators in December 2000. "Complete electrical system and engine
20 shutdown while driving," another driver of the same model said in January 2001. "Happened three
21 different times to date. Dealer is unable to determine cause of failure."

22 150. The vehicles covered include the Buick Lacrosse, model years 2005-09; Chevrolet
23 Impala, 2006-14; Cadillac Deville, 2000-05; Cadillac DTS, 2004-11; Buick Lucerne, 2006-11;
24 Buick Regal LS and RS, 2004-05; and Chevrolet Monte Carlo, 2006-08.

25 **10. At least 26 other defects were revealed by GM in recalls during the first half of**
26 **2014.**

27 151. The nine defects discussed above – and the resultant 12 recalls – are but a subset of
28 the 40 recalls ordered by GM in connection with 35 separate defects during the first five and one-

1 half months of 2014. The additional 26 defects are briefly summarized in the following
2 paragraphs.

3 152. **Transmission oil cooler line defect:** On March 31, 2014, GM recalled 489,936
4 MY 2014 Chevy Silverado, 2014 GMC Sierra, 2014 GMC Yukon, 2014 GMC Yukon XL, 2015
5 Chevy Tahoe, and 2015 Chevy Suburban vehicles. These vehicles may have transmission oil
6 cooler lines that are not securely seated in the fitting. This can cause transmission oil to leak from
7 the fitting, where it can contact a hot surface and cause a vehicle fire.

8 153. **Power management mode software defect:** On January 13, 2014, GM recalled
9 324,970 MY 2014 Chevy Silverado and GMC Sierra Vehicles. When these vehicles are idling in
10 cold temperatures, the exhaust components can overheat, melt nearby plastic parts, and cause an
11 engine fire.

12 154. **Substandard front passenger airbags:** On March 17, 2014, GM recalled 303,013
13 MY 2009-2014 GMC Savana vehicles. In certain frontal impact collisions below the air bag
14 deployment threshold in these vehicles, the panel covering the airbag may not sufficiently absorb
15 the impact of the collision. These vehicles therefore do not meet the requirements of Federal
16 Motor Vehicle Safety Standard number 201, "Occupant Protection in Interior Impact."

17 155. **Light control module defect:** On May 16, 2014, GM recalled 218,214 MY 2004-
18 2008 Chevrolet Aveo (subcompact) and 2004-2008 Chevrolet Optra (subcompact) vehicles. In
19 these vehicles, heat generated within the light control module in the center console in the
20 instrument panel may melt the module and cause a vehicle fire.

21 156. **Front axle shaft defect:** On March 28, 2014, GM recalled 174,046 MY 2013-2014
22 Chevrolet Cruze vehicles. In these vehicles, the right front axle shaft may fracture and separate. If
23 this happens while the vehicle is being driven, the vehicle will lose power and coast to a halt. If a
24 vehicle with a fractured shaft is parked and the parking brake is not applied, the vehicle may move
25 unexpectedly which can lead to accident and injury.

26 157. **Brake boost defect:** On May 13, 2014, GM recalled 140,067 MY 2014 Chevrolet
27 Malibu vehicles. The "hydraulic boost assist" in these vehicles may be disabled; when that
28 happens, slowing or stopping the vehicle requires harder brake pedal force, and the vehicle will

1 travel a greater distance before stopping. Therefore, these vehicles do not comply with Federal
2 Motor Vehicle Safety Standard number 135, "Light Vehicle Brake Systems," and are at increased
3 risk of collision.

4 158. **Low beam headlight defect:** On May 14, 2014, GM recalled 103,158 MY 2005-
5 2007 Chevrolet Corvette vehicles. In these vehicles, the underhood bussed electrical center
6 (UBEC) housing can expand and cause the headlamp low beam relay control circuit wire to bend.
7 When the wire is repeatedly bent, it can fracture and cause a loss of low beam headlamp
8 illumination. The loss of illumination decreases the driver's visibility and the vehicle's conspicuity
9 to other motorists, increasing the risk of a crash.

10 159. **Vacuum line brake booster defect:** On March 17, 2014, GM recalled 63,903 MY
11 2013-2014 Cadillac XTS vehicles. In these vehicles, a cavity plug on the brake boost pump
12 connector may dislodge and allow corrosion of the brake booster pump relay connector. This can
13 have an adverse impact on the vehicle's brakes.

14 160. **Fuel gauge defect:** On April 29, 2014, GM recalled 51,460 MY 2014 Chevrolet
15 Traverse, GMC Acadia and Buick Enclave vehicles. In these vehicles, the engine control module
16 (ECM) software may cause inaccurate fuel gauge readings. An inaccurate fuel gauge may result in
17 the vehicle unexpectedly running out of fuel and stalling, and thereby increases the risk of accident.

18 161. **Acceleration defect:** On April 24, 2014, GM recalled 50,571 MY 2013 Cadillac
19 SRX vehicles. In these vehicles, there may be a three- to four-second lag in acceleration due to
20 faulty transmission control module programming. That lag may increase the risk of a crash.

21 162. **Flexible flat cable airbag defect:** On April 9, 2014, GM recalled 23,247 MY
22 2009-2010 Pontiac Vibe vehicles. These vehicles are susceptible to a failure in the Flexible Flat
23 Cable ("FFC") in the spiral cable assemble connecting the driver's airbag module. When the FFC
24 fails, connectivity to the driver's airbag module is lost and the airbag is deactivated. The resultant
25 failure of the driver's airbag to deploy increases the risk of injury to the driver in the event of a
26 crash.

1 163. **Windshield wiper defect:** On May 14, 2014, GM recalled 19,225 MY 2014
2 Cadillac CTS vehicles. A defect leaves the windshield wipers in these vehicles prone to failure.
3 Inoperative windshield wipers can decrease the driver's visibility and increase the risk of a crash.

4 164. **Brake rotor defect:** On May 7, 2014, GM recalled 8,208 MY 2014 Chevrolet
5 Malibu and Buick LaCrosse vehicles. In these vehicles, GM may have accidentally installed rear
6 brake rotors on the front brakes. The rear rotors are thinner than the front rotors, and the use of
7 rear rotors in the front of the vehicle may result in a front brake pad detaching from the caliper.
8 The detachment of a brake pad from the caliper can cause a sudden reduction in braking which
9 lengthens the distance required to stop the vehicle and increases the risk of a crash.

10 165. **Passenger-side airbag defect:** On May 16, 2014, GM recalled 1,402 MY 2015
11 Cadillac Escalade vehicles. In these vehicles, the airbag module is secured to a chute adhered to
12 the backside of the instrument panel with an insufficiently heated infrared weld. As a result, the
13 front passenger-side airbag may only partially deploy in the event of crash, and this will increase
14 the risk of occupant injury. These vehicles do not conform to Federal Motor Vehicle Safety
15 Standard number 208, "Occupant Crash Protection."

16 166. **Electronic stability control defect:** On March 26, 2014, GM recalled 656 MY
17 2014 Cadillac ELR vehicles. In these vehicles, the electronic stability control (ESC) system
18 software may inhibit certain ESC diagnostics and fail to alert the driver that the ESC system is
19 partially or fully disabled. Therefore, these vehicles fail to conform to Federal Motor Vehicle
20 Safety Standard number 126, "Electronic Stability Control Systems." A driver who is not alerted
21 to an ESC system malfunction may continue driving with a disabled ESC system. That may result
22 in the loss of directional control, greatly increasing the risk of a crash.

23 167. **Steering tie-rod defect:** On May 13, 2014, GM recalled 477 MY 2014 Chevrolet
24 Silverado, 2014 GMC Sierra and 2015 Chevrolet Tahoe vehicles. In these vehicles, the tie-rod
25 threaded attachment may not be properly tightened to the steering gear rack. An improperly
26 tightened tie-rod attachment may allow the tie-rod to separate from the steering rack and result in a
27 loss of steering that greatly increases the risk of a vehicle crash.

28

1 168. **Automatic transmission shift cable adjuster:** On February 20, 2014, GM recalled
2 352 MY 2014 Buick Enclave, Buick LaCrosse, Buick Regal, Verano, Chevrolet Cruze, Chevrolet
3 Impala, Chevrolet Malibu, Chevrolet Traverse, and GMC Acadia vehicles. In these vehicles, the
4 transmission shift cable adjuster may disengage from the transmission shift lever. When that
5 happens, the driver may be unable to shift gears, and the indicated gear position may not be
6 accurate. If the adjuster is disengaged when the driver attempts to stop and park the vehicle, the
7 driver may be able to shift the lever to the “PARK” position but the vehicle transmission may not
8 be in the “PARK” gear position. That creates the risk that the vehicle will roll away as the driver
9 and other occupants exit the vehicle, or anytime thereafter.

10 169. **Fuse block defect:** On May 19, 2014, GM recalled 58 MY 2015 Chevrolet
11 Silverado HD and GMC Sierra HD vehicles. In these vehicles, the retention clips that attach the
12 fuse block to the vehicle body can become loose allowing the fuse block to move out of position.
13 When this occurs, exposed conductors in the fuse block may contact the mounting studs or other
14 metallic components, which in turn causes a “short to ground” event. That can result in an
15 arcing condition, igniting nearby combustible materials and starting an engine compartment fire.

16 170. **Diesel transfer pump defect:** On April 24, 2014, GM recalled 51 MY 2014 GMC
17 Sierra HD and 2015 Chevrolet Silverado HD vehicles. In these vehicles, the fuel pump
18 connections on both sides of the diesel fuel transfer pump may not be properly torqued. That can
19 result in a diesel fuel leak, which can cause a vehicle fire.

20 171. **Base radio defect:** On June 5, 2014, GM recalled 57,512 MY 2014 Chevrolet
21 Silverado LD, 2014 GMC Sierra LD and model year 2015 Silverado HD, Tahoe and Suburban and
22 2015 GMC Sierra HD and Yukon and Yukon XL vehicles because the base radio may not work.
23 The faulty base radio prevents audible warnings if the key is in the ignition when the driver’s door
24 is open, and audible chimes when a front seat belt is not buckled. Vehicles with the base radio
25 defect are out of compliance with motor vehicle safety standards covering theft protection,
26 rollaway protection and occupant crash protection.

27 172. **Shorting bar defect:** On June 5, 2014, GM recalled 31,520 MY 2012 Buick
28 Verano and Chevrolet Camaro, Cruze, and Sonic compact cars for a defect in which the shorting

1 bar inside the dual stage driver's air bag may occasionally contact the air bag terminals. If contact
2 occurs, the air bag warning light will illuminate. If the car and terminals are contacting each other
3 in a crash, the air bag will not deploy. GM admits awareness of one crash with an injury where the
4 relevant diagnostic trouble code was found at the time the vehicle was repaired. GM is aware of
5 other crashes where air bags did not deploy but it does not know if they were related to this
6 condition. GM conducted two previous recalls for this condition involving 7,116 of these vehicles
7 with no confirmed crashes in which this issue was involved.

8 173. **Front passenger airbag end cap defect:** On June 5, 2014, GM recalled 61 model
9 year 2013-2014 Chevrolet Spark and 2013 model year Buick Encore vehicles manufactured in
10 Changwon, Korea from December 30, 2012 through May 8, 2013 because the vehicles may have a
11 condition in which the front passenger airbag end cap could separate from the airbag inflator. In a
12 crash, this may prevent the passenger airbag from deploying properly.

13 174. **Sensing and Diagnostic Model ("SDM") defect:** On June 5, 2014, GM recalled
14 33 model year 2014 Chevrolet Corvettes in the U.S. because an internal short-circuit in the sensing
15 and diagnostic module (SDM) could disable frontal air bags, safety belt pretensioners and the
16 Automatic Occupancy Sensing module.

17 175. **Sonic Turbine Shaft:** On June 11, 2014, GM recalled 21,567 Chevrolet Sonics due
18 to a transmission turbine shaft that can malfunction.

19 176. **Electrical System defect:** On June 11, 2014, GM recalled 14,765 model year 2014
20 Buick LaCrosse sedans because a wiring splice in the driver's door can corrode and break, cutting
21 power to the windows, sunroof, and door chime under certain circumstances.

22 177. **Seatbelt Tensioning System defect:** On June 11, 2014, GM recalled 8,789 model
23 year 2004-11 Saab 9-3 convertibles because a cable in the driver's seatbelt tensioning system can
24 break.

25 178. In light of GM's history of concealing known defects, there is little reason to think
26 that either GM's recalls have fully addressed the 35 recently revealed defects or that GM has
27 addressed each defect of which it is or should be aware.
28

1 **B. GM Valued Cost-Cutting Over Safety, and Actively Encouraged Employees to**
2 **Conceal Safety Issues.**

3 179. Recently revealed information presents a disturbing picture of GM's approach to
4 safety issues – both in the design and manufacture stages, and in discovering and responding to
5 defects in GM-branded vehicles that have already been sold.

6 180. GM made very clear to its personnel that cost-cutting was more important than
7 safety, deprived its personnel of necessary resources for spotting and remedying defects, trained its
8 employees not to reveal known defects, and rebuked those who attempted to “push hard” on safety
9 issues.

10 181. One “directive” at GM was “cost is everything.”⁸⁰ The messages from top
11 leadership at GM to employees, as well as their actions, were focused on the need to control cost.⁸¹

12 182. One GM engineer stated that emphasis on cost control at GM “permeates the fabric
13 of the whole culture.”⁸²

14 183. According to Mark Reuss (President of GMNA from 2009-2013 before succeeding
15 Mary Barra as Executive Vice President for Global Product Development, Purchasing and Supply
16 Chain in 2014), cost and time-cutting principles known as the “Big 4” at GM “emphasized timing
17 over quality.”⁸³

18 184. GM's focus on cost-cutting created major disincentives to personnel who might
19 wish to address safety issues. For example, those responsible for a vehicle were responsible for its
20 costs, but if they wanted to make a change that incurred cost and affected other vehicles, they also
21 became responsible for the costs incurred in the other vehicles.⁸⁴

22 185. As another cost-cutting measure, parts were sourced to the lowest bidder, even if
23 they were not the highest quality parts.⁸⁵

24 ⁸⁰ GM Report at 249.

25 ⁸¹ GM Report at 250.

26 ⁸² GM Report at 250.

27 ⁸³ GM Report at 250.

28 ⁸⁴ GM Report at 250.

⁸⁵ GM Report at 251.

1 186. Because of GM's focus on cost-cutting, GM Engineers did not believe they had
2 extra funds to spend on product improvements.⁸⁶

3 187. GM's focus on cost-cutting also made it harder for GM personnel to discover safety
4 defects, as in the case of the "TREAD Reporting team."

5 188. GM used its TREAD database (known as "TREAD") to store the data required to be
6 reported quarterly to NHTSA under the TREAD Act.⁸⁷ From the date of its inception in 2009,
7 TREAD has been the principal database used by GM to track incidents related to its vehicles.⁸⁸

8 189. From 2003-2007 or 2008, the TREAD Reporting team had eight employees, who
9 would conduct monthly searches and prepare scatter graphs to identify spikes in the number of
10 accidents or complaints with respect to various GM-branded vehicles. The TREAD Reporting
11 team reports went to a review panel and sometimes spawned investigations to determine if any
12 safety defect existed.⁸⁹

13 190. In or around 2007-08, Old GM reduced the TREAD Reporting team from eight to
14 three employees, and the monthly data mining process pared down.⁹⁰ In 2010, GM restored two
15 people to the team, but they did not participate in the TREAD database searches.⁹¹ Moreover, until
16 2014, the TREAD Reporting team did not have sufficient resources to obtain any of the advanced
17 data mining software programs available in the industry to better identify and understand potential
18 defects.⁹²

19 191. By starving the TREAD Reporting team of the resources it needed to identify
20 potential safety issues, GM helped to insure that safety issues would not come to light.

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24 ⁸⁶ GM Report at 251.

25 ⁸⁷ GM Report at 306.

26 ⁸⁸ GM Report at 306.

27 ⁸⁹ GM Report at 307.

28 ⁹⁰ GM Report at 307.

⁹¹ GM Report at 307-308.

⁹² GM Report at 208.

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1 192. “[T]here was resistance or reluctance to raise issues or concerns in the GM culture.”

2 The culture, atmosphere and supervisor response at GM “discouraged individuals from raising
3 safety concerns.”⁹³

4 193. GM CEO Mary Barra experienced instances where GM engineers were “unwilling
5 to identify issues out of concern that it would delay the launch” of a vehicle.⁹⁴

6 194. GM supervisors warned employees to “never put anything above the company” and
7 “never put the company at risk.”⁹⁵

8 195. GM “pushed back” on describing matters as safety issues and, as a result, “GM
9 personnel failed to raise significant issues to key decision-makers.”⁹⁶

10 196. So, for example, GM discouraged the use of the word “stall” in Technical Service
11 Bulletins (“TSBs”) it sometimes sent to dealers about issues in GM-branded vehicles. According
12 to Steve Oakley, who drafted a TSB in connection with the ignition switch defects, “the term ‘stall’
13 is a ‘hot’ word that GM generally does not use in bulletins because it may raise a concern about
14 vehicle safety, which suggests GM should recall the vehicle, not issue a bulletin.”⁹⁷ Other GM
15 personnel confirmed Oakley on this point, stating that “there was concern about the use of ‘stall’ in
16 a TSB because such language might draw the attention of NHTSA.”⁹⁸

17 197. Oakley further noted that “he was reluctant to push hard on safety issues because of
18 his perception that his predecessor had been pushed out of the job for doing just that.”⁹⁹

19 198. Many GM employees “did not take notes at all at critical safety meetings because
20 they believed GM lawyers did not want such notes taken.”¹⁰⁰

21

22

23 ⁹³ GM Report at 252.

24 ⁹⁴ GM Report at 252.

25 ⁹⁵ GM Report at 252-253.

26 ⁹⁶ GM Report at 253.

27 ⁹⁷ GM Report at 92.

28 ⁹⁸ GM Report at 93.

⁹⁹ GM Report at 93.

¹⁰⁰ GM Report at 254.

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1 199. A GM training document released by NHTSA as an attachment to its Consent Order
2 sheds further light on the lengths to which GM went to ensure that known defects were concealed.
3 It appears that the defects were concealed pursuant to a company policy GM inherited from Old
4 GM.

5 200. The document consists of slides from a 2008 Technical Learning Symposium for
6 “designing engineers,” “company vehicle drivers,” and other employees at Old GM. On
7 information and belief, the vast majority of employees who participated in this webinar
8 presentation continued on in their same positions at GM after July 10, 2009.

9 201. The presentation focused on recalls, and the “reasons for recalls.”

10 202. One major component of the presentation was captioned “Documentation
11 Guidelines,” and focused on what employees should (and should not say) when describing
12 problems in vehicles.

13 203. Employees were instructed to “[w]rite smart,” and to “[b]e factual, not fantastic” in
14 their writing.

15 204. Company vehicle drivers were given examples of comments to avoid, including the
16 following: “This is a safety and security issue”; “I believe the wheels are too soft and weak and
17 could cause a serious problem”; and “Dangerous ... almost caused accident.”

18 205. In documents used for reports and presentations, employees were advised to avoid a
19 long list of words, including: “bad,” “dangerous,” “defect,” “defective,” “failed,” “flawed,” “life-
20 threatening,” “problem,” “safety,” “safety-related,” and “serious.”

21 206. In truly Orwellian fashion, the Company advised employees to use the words (1)
22 “Issue, Condition [or] Matter” instead of “Problem”; (2) “Has Potential Safety Implications”
23 instead of “Safety”; (3) “Broke and separated 10 mm” instead of “Failed”; (4)
24 “Above/Below/Exceeds Specification” instead of “Good [or] Bad”; and (5) “Does not perform to
25 design” instead of “Defect/Defective.”

26 207. As NHTSA’s Acting Administrator Friedman noted at the May 16, 2014 press
27 conference announcing the Consent Order concerning the ignition switch defect, it was GM’s
28 company policy to avoid using words that might suggest the existence of a safety defect:

1 GM must rethink the corporate philosophy reflected in the
2 documents we reviewed, including training materials that explicitly
3 discouraged employees from using words like 'defect,' 'dangerous,'
4 'safety related,' and many more essential terms for engineers and
investigators to clearly communicate up the chain when they suspect
a problem.

5 208. GM appears to have trained its employees to conceal the existence of known safety
6 defects from consumers and regulators. Indeed, it is nearly impossible to convey the potential
7 existence of a safety defect without using the words "safety" or "defect" or similarly strong
8 language that was verboten at GM.

9 209. So institutionalized at GM was the "phenomenon of avoiding responsibility" that
10 the practice was given a name: "the 'GM salute,'" which was "a crossing of the arms and pointing
11 outward towards others, indicating that the responsibility belongs to someone else, not me."¹⁰¹

12 210. CEO Mary Barra described a related phenomenon, "known as the 'GM nod,'" which
13 was "when everyone nods in agreement to a proposed plan of action, but then leaves the room with
14 no intention to follow through, and the nod is an empty gesture."¹⁰²

15 211. According to the GM Report prepared by Anton R. Valukas, part of the failure to
16 properly correct the ignition switch defect was due to problems with GM's organizational
17 structure.¹⁰³ Part of the failure to properly correct the ignition switch defect was due to a corporate
18 culture that did not care enough about safety.¹⁰⁴ Part of the failure to properly correct the ignition
19 switch defect was due to a lack of open and honest communication with NHTSA regarding safety
20 issues.¹⁰⁵ Part of the failure to properly correct the ignition switch defect was due to improper
21 conduct and handling of safety issues by lawyers within GM's Legal Staff.¹⁰⁶ On information and
22 belief, all of these issues also helped cause the concealment of and failure to remedy the many
23 defects that have led to the spate of recalls in the first half of 2014.

24 ¹⁰¹ GM Report at 255.

25 ¹⁰² GM Report at 256.

26 ¹⁰³ GM Report at 259-260.

27 ¹⁰⁴ GM Report at 260-261.

28 ¹⁰⁵ GM Report at 263.

¹⁰⁶ GM Report at 264.

1 **C. The Ignition Switch Defects Have Harmed Consumers in Orange County and the**
2 **State**

3 212. GM's unprecedented concealment of a large number of serious defects, and its
4 irresponsible approach to safety issues, has caused damage to consumers in Orange County and
5 throughout California.

6 213. A vehicle made by a reputable manufacturer of safe and reliable vehicles who
7 stands behind its vehicles after they are sold is worth more than an otherwise similar vehicle made
8 by a disreputable manufacturer known for selling defective vehicles and for concealing and failing
9 to remedy serious defects after the vehicles are sold.

10 214. A vehicle purchased or leased under the reasonable assumption that it is safe and
11 reliable is worth more than a vehicle of questionable safety and reliability due to the
12 manufacturer's recent history of concealing serious defects from consumers and regulators.

13 215. Purchasers and lessees of new and used GM-branded vehicles after the July 10,
14 2009, inception of GM paid more for the vehicles than they would have had GM disclosed the
15 many defects it had a duty to disclose in GM-branded vehicles. Because GM concealed the defects
16 and the fact that it was a disreputable brand that valued cost-cutting over safety, these consumers
17 did not receive the benefit of their bargain. And the value of all their vehicles has diminished as
18 the result of GM's deceptive conduct.

19 216. If GM had timely disclosed the many defects as required by the TREAD Act and
20 California law, California vehicle owners' GM-branded vehicles would be considerably more
21 valuable than they are now. Because of GM's now highly publicized campaign of deception, and
22 its belated, piecemeal and ever-expanding recalls, so much stigma has attached to the GM brand
23 that no rational consumer would pay what otherwise would have been fair market value for GM-
24 branded vehicles.

25 **D. Given GM's Knowledge of the Defects and the Risk to Public Safety, it Was Obligated to**
26 **Promptly Disclose and Remedy the Defects.**

27 217. The National Traffic and Motor Vehicle Safety Act of 1966 (the "Safety Act")
28 requires manufacturers of motor vehicles and motor vehicle equipment to submit certain
information to the National Highway Traffic Safety Administration (NHTSA) in order "to reduce

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1 traffic accidents and deaths and injuries resulting from traffic accidents.” 49 U.S.C. § 30101 *et.*
2 *seq.*

3 218. Under the Safety Act, the manufacturer of a vehicle has a duty to notify dealers and
4 purchasers of a safety defect and remedy the defect without charge. 49 U.S.C. § 30118. In
5 November 2000, Congress enacted the Transportation Recall Enhancement, Accountability and
6 Documentation (TREAD) Act, 49 U.S.C. §§ 30101-30170, which amended the Safety Act and
7 directed the Secretary of Transportation to promulgate regulation expanding the scope of the
8 information that manufacturers are required to submit to NHTSA.

9 219. The Safety Act requires manufacturers to inform NHTSA within five days of
10 discovering a defect. 49 CFR § 573.6 provides that a manufacturer “shall furnish a report to the
11 NHTSA for each defect in his vehicles or in his items of original or replacement equipment that he
12 or the Administrator determines to be related to motor vehicle safety, and for each noncompliance
13 with a motor vehicle safety standard in such vehicles or items of equipment which either he or the
14 Administrator determines to exist,” and that such reports must include, among other
15 things: identification of the vehicles or items of motor vehicle equipment potentially containing
16 the defect or noncompliance, including a description of the manufacturer’s basis for its
17 determination of the recall population and a description of how the vehicles or items of equipment
18 to be recalled differ from similar vehicles or items of equipment that the manufacturer has not
19 included in the recall; in the case of passenger cars, the identification shall be by the make, line,
20 model year, the inclusive dates (month and year) of manufacture, and any other information
21 necessary to describe the vehicles; a description of the defect or noncompliance, including both a
22 brief summary and a detailed description, with graphic aids as necessary, of the nature and physical
23 location (if applicable) of the defect or noncompliance; a chronology of all principal events that
24 were the basis for the determination that the defect related to motor vehicle safety, including a
25 summary of all warranty claims, field or service reports, and other information, with their dates of
26 receipt; a description of the manufacturer’s program for remedying the defect or noncompliance;
27 and a plan for reimbursing an owner or purchaser who incurred costs to obtain a remedy for the
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1 problem addressed by the recall within a reasonable time in advance of the manufacturer's
2 notification of owners, purchasers and dealers.

3 220. Manufacturers are also required to submit "early warning reporting" (EWR) data
4 and information that may assist the agency in identifying safety defects in motor vehicles or motor
5 vehicle equipment. *See* 49 U.S.C. § 30166(m)(3)(B). The data submitted to NHTSA under the
6 EWR regulation includes: production numbers (cumulative total of vehicles or items of equipment
7 manufactured in the year); incidents involving death or injury based on claims and notices received
8 by the manufacturer; claims relating to property damage received by the manufacturer; warranty
9 claims paid by the manufacturer (generally for repairs on relatively new products) pursuant to a
10 warranty program (in the tire industry these are warranty adjustment claims); consumer complaints
11 (a communication by a consumer to the manufacturer that expresses dissatisfaction with the
12 manufacturer's product or performance of its product or an alleged defect); and field reports
13 (prepared by the manufacturer's employees or representatives concerning failure, malfunction, lack
14 of durability or other performance problem of a motor vehicle or item of motor vehicle equipment).

15 221. Regulations promulgated under the TREAD Act also require manufacturers to
16 inform NHTSA of defects and recalls in motor vehicles in foreign countries. Under 49 CFR §§
17 579.11 and 579.12 a manufacturer must report to NHTSA not later than five working days after a
18 manufacturer determines to conduct a safety recall or other safety campaign in a foreign country
19 covering a motor vehicle sold or offered for sale in the United States. The report must include,
20 among other things: a description of the defect or noncompliance, including both a brief summary
21 and a detailed description, with graphic aids as necessary, of the nature and physical location (if
22 applicable) of the defect or noncompliance; identification of the vehicles or items of motor vehicle
23 equipment potentially containing the defect or noncompliance, including a description of the
24 manufacturer's basis for its determination of the recall population and a description of how the
25 vehicles or items of equipment to be recalled differ from similar vehicles or items of equipment
26 that the manufacturer has not included in the recall; the manufacturer's program for remedying the
27 defect or noncompliance, the date of the determination and the date the recall or other campaign
28 was commenced or will commence in each foreign country; and identify all motor vehicles that the

1 manufacturer sold or offered for sale in the United States that are identical or substantially similar
2 to the motor vehicles covered by the foreign recall or campaign.

3 222. 49 CFR § 579.21 requires manufacturers to provide NHTSA quarterly field reports
4 related to the current and nine preceding model years regarding various systems, including, but not
5 limited to, vehicle speed control. The field reports must contain, among other things: a report on
6 each incident involving one or more deaths or injuries occurring in the United States that is
7 identified in a claim against and received by the manufacturer or in a notice received by the
8 manufacturer which notice alleges or proves that the death or injury was caused by a possible
9 defect in the manufacturer's vehicle, together with each incident involving one or more deaths
10 occurring in a foreign country that is identified in a claim against and received by the manufacturer
11 involving the manufacturer's vehicle, if that vehicle is identical or substantially similar to a vehicle
12 that the manufacturer has offered for sale in the United States, and any assessment of an alleged
13 failure, malfunction, lack of durability, or other performance problem of a motor vehicle or item of
14 motor vehicle equipment (including any part thereof) that is originated by an employee or
15 representative of the manufacturer and that the manufacturer received during a reporting period.

16 223. GM has known throughout the liability period that many GM-branded vehicles sold
17 or leased in the State of California were defective – and, in many cases, dangerously so.

18 224. Since the date of GM's inception, many people have been injured or died in
19 accidents relating to the ignition switch defects alone. While the exact injury and death toll is
20 unknown, as a result of GM's campaign of concealment and suppression of the large number of
21 defects plaguing over 17 million GM-branded vehicles, numerous other drivers and passengers of
22 the Defective Vehicles have died or suffered serious injuries and property damage. All owners and
23 lessees of GM-branded vehicles have suffered economic damage to their property due to the
24 disturbingly large number of recently revealed defects that were concealed by GM. Many are
25 unable to sell or trade their cars, and many are afraid to drive their cars.

1 **E. GM's Misrepresentations and Deceptive, False, Untrue and Misleading Advertising,**
2 **Marketing and Public Statements**

3 225. Despite its knowledge of the many serious defects in millions of GM-branded
4 vehicles, GM continued to (1) sell new Defective Vehicles; (2) sell used Defective Vehicles as
5 "GM certified"; and (3) use defective ignition switches to repair GM vehicles, all without
6 disclosing or remedying the defects. As a result, the injury and death toll associated with the
7 Defective Vehicles has continued to increase and, to this day, GM continues to conceal and
8 suppress this information.

9 226. During this time period, GM falsely assured California consumers in various written
10 and broadcast statements that its cars were safe and reliable, and concealed and suppressed the true
11 facts concerning the many defects in millions of GM-branded vehicles, and GM's policies that led
12 to both the manufacture of an inordinate number of vehicles with safety defects and the subsequent
13 concealment of those defects once the vehicles are on the road. To this day, GM continues to
14 conceal and suppress information about the safety and reliability of its vehicles.

15 227. Against this backdrop of fraud and concealment, GM touted its reputation for safety
16 and reliability, and knew that people bought and retained its vehicles because of that reputation,
17 and yet purposefully chose to conceal and suppress the existence and nature of the many safety
18 defects. Instead of disclosing the truth about the dangerous propensity of the Defective Vehicles
19 and GM's disdain for safety, California consumers were given assurances that their vehicles were
20 safe and defect free, and that the Company stands behind its vehicles after they are on the road.

21 228. GM has consistently marketed its vehicles as "safe" and proclaimed that safety is
22 one of its highest priorities.

23 229. It told consumers that it built the world's best vehicles:

24 We truly are building a new GM, from the inside out. Our vision is
25 clear: to design, build and sell the world's best vehicles, and we have
26 a new business model to bring that vision to life. We have a lower
27 cost structure, a stronger balance sheet and a dramatically lower risk
28 profile. We have a new leadership team – a strong mix of executive
talent from outside the industry and automotive veterans – and a
passionate, rejuvenated workforce.

"Our plan is to steadily invest in creating world-class vehicles, which
will continuously drive our cycle of great design, high quality and
higher profitability."

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1 230. It represented that it was building vehicles with design excellence, quality and
2 performance:

3 And across the globe, other GM vehicles are gaining similar acclaim
4 for design excellence, quality and performance, including the Holden
5 Commodore in Australia. Chevrolet Agile in Brazil, Buick LaCrosse
6 in China and many others.

7 The company's progress is early evidence of a new business model
8 that begins and ends with great vehicles. We are leveraging our
9 global resources and scale to maintain stringent cost management
10 while taking advantage of growth and revenue opportunities around
11 the world, to ultimately deliver sustainable results for all of our
12 shareholders.

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231. The theme below was repeated in advertisements, company literature, and material at dealerships as the core message about GM's Brand:

The new General Motors has one clear vision: to design, build and sell the world's best vehicles. Our new business model revolves around this vision, focusing on fewer brands, compelling vehicle design, innovative technology, improved manufacturing productivity and streamlined, more efficient inventory processes. The end result is products that delight customers and generate higher volumes and margins—and ultimately deliver more cash to invest in our future vehicles.

A New Vision, a New Business Model

Our vision is simple, straightforward and clear; to design, build and sell the world's best vehicles. That doesn't mean just making our vehicles better than the ones they replace. We have set a higher standard for the new GM—and that means building the best.

Our vision comes to life in a continuous cycle that starts, ends and begins again with great vehicle designs. To accelerate the momentum we've already created, we reduced our North American portfolio from eight brands to four: Chevrolet, Buick, Cadillac and GMC. Worldwide, we're aggressively developing and leveraging global vehicle architectures to maximize our talent and resources and achieve optimum economies of scale.

Across our manufacturing operations, we have largely eliminated overcapacity in North America while making progress in Europe, and we're committed to managing inventory with a new level of discipline. By using our manufacturing capacity more efficiently

and maintaining leaner vehicle inventories, we are reducing the need to offer sales incentives on our vehicles. These moves, combined with offering attractive, high-quality vehicles, are driving healthier margins—and at the same time building stronger brands.

Our new business model creates a self-sustaining cycle of reinvestment that drives continuous improvement in vehicle design, manufacturing discipline, brand strength, pricing and margins, because we are now able to make money at the bottom as well as the top of the industry cycles.

We are seeing positive results already. In the United States, for example, improved design, content and quality have resulted in solid gains in segment share, average transaction prices and projected residual values for the Chevrolet Equinox, Buick LaCrosse and Cadillac SRX. This is just the beginning.

232. It represented that it had a world-class lineup in North America:

A World-Class Lineup in North America



Chevrolet Cruze
Global success is no surprise for the new Chevrolet Cruze, which is sold in more than 60 countries around the world. In addition to a 43 mpg Eco model (sold in North America), Cruze's globally influenced design is complemented by its exceptional quietness, high quality and attention to detail not matched by the competition.

Buick Regal
The sport-injected Buick Regal is the brand's latest addition, attracting a whole new demographic for the Buick brand. The newly designed Buick lineup, which saw 52 percent volume growth in 2010 in the United States alone, is appealing to a broader spectrum of buyers.

Chevrolet Equinox
The Chevrolet Equinox delivers best-in-segment 32-mpg highway fuel economy in a sleek, roomy new package. With the success of the Equinox and other strong-selling crossovers, GM leads the U.S. industry in total unit sales for the segment.

Chevrolet Sonic
Stylish four-door sedan and sporty five-door hatchback versions of the Chevrolet Sonic will be in U.S. showrooms in fall 2011. Currently the only small car built in the United States, it will be sold as the Aveo in other parts of the world.

Buick LaCrosse
Buick builds on the brand's momentum in the United States and China with the fuel-efficient LaCrosse. With eAssist technology, the LaCrosse achieves an expected 37 mpg on the highway.

Buick Verano
The all-new Buick Verano, which will be available in late 2011, appeals to customers in the United States, Canada and Mexico who want great fuel economy and luxury in a smaller but premium package.



GMC Terrain

The GMC Terrain delivers segment-leading fuel economy of 32 mpg highway, plus uncompromising content and premium technology, in a 5-passenger, compact SUV.



Cadillac CTS V-Coupe

Cadillac's new CTS V-Coupe is the complete package for the driving enthusiast—a 556 hp supercharged V-8 engine, stunning lines and performance handling.



GMC Sierra Heavy Duty

The GMC Sierra offers heavy-duty power and performance with the proven and powerful Duramax Diesel/Allison Transmission combination and a completely new chassis with improved capabilities and ride comfort.



GMC Yukon Hybrid

The GMC Yukon Hybrid is America's first full-sized SUV hybrid, with city fuel economy of 20 mpg—better than a standard 6-cylinder Honda Accord and 43 percent better than any full-size SUV in its class.



Cadillac CTS Sport Wagon

With an available advanced direct-injected V6 engine, the Cadillac CTS Sport Wagon sets a new standard for versatility, while offering excitement and purpose.



Cadillac SRX

The Cadillac SRX looks and performs like no other crossover, with a cockpit that offers utility and elegance and an optional 20-inch Ultraview sunroof.

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1 233. It boasted of its new “culture”:



24 234. In its 2012 Annual Report, GM told the world the following about its brand:

25 What is immutable is our focus on the customer, which requires us to
26 go from “good” today to “great” in everything we do, including
product design, initial quality, durability and service after the sale.

27 235. GM also indicated it had changed its structure to create more “accountability”
28 which, as shown above, was a blatant falsehood:

1 That work continues, and it has been complemented by changes to
2 our design and engineering organization that have flattened the
3 structure and created more accountability for produce execution,
4 profitability and customer satisfaction.

5 236. And GM represented that product quality was a key focus – another blatant
6 falsehood:

7 Product quality and long-term durability are two other areas that
8 demand our unrelenting attention, even though we are doing well on
9 key measures.

10 237. In its 2013 Letter to Stockholders GM noted that its brand had grown in value and
11 boasted that it designed the “World’s Best Vehicles”:

12 Dear Stockholder:

13 Your company is on the move once again. While there were highs
14 and lows in 2011, our overall report card shows very solid marks,
15 including record net income attributable to common stockholders of
16 \$7.6 billion and EBIT-adjusted income of \$8.3 billion.

- 17 • GM’s overall momentum, including a 13 percent sales
18 increase in the United States, created new jobs and drove
19 investments. We have announced investments in 29 U.S.
20 facilities totaling more than \$7.1 billion since July 2009, with
21 more than 17,500 jobs created or retained.

22 Design, Build and Sell the World’s Best Vehicles

23 This pillar is intended to keep the customer at the center of
24 everything we do, and success is pretty easy to define. It means
25 creating vehicles that people desire, value and are proud to own.
26 When we get this right, it transforms our reputation and the
27 company’s bottom line.

28 Strengthen Brand Value

Clarity of purpose and consistency of execution are the cornerstones
of our product strategy, and two brands will drive our global growth.
They are Chevrolet, which embodies the qualities of value,
reliability, performance and expressive design; and Cadillac, which
creates luxury vehicles that are provocative and powerful. At the
same time the Holden, Buick, GMC, Baojun, Opel and Vauxhall
brands are being carefully cultivated to satisfy as many customers as
possible in select regions.

Each day the cultural change underway at GM becomes more
striking. The old internally focused, consensus-driven and overly
complicated GM is being reinvented brick by brick, by truly
accountable executives who know how to take calculated risks and
lead global teams that are committed to building the best vehicles in
the world as efficiently as we can.

1 That's the crux of our plan. The plan is something we can control.
2 We like the results we're starting to see and we're going to stick to
it – always.

3 238. Once it emerged from bankruptcy, GM told the world it was a new and improved
4 company:



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2 239. A radio ad that ran from GM's inception until July 16, 2010, stated that "[a]t GM,
3 building quality cars is the most important thing we can do."

4 240. An online ad for "GM certified" used vehicles that ran from July 6, 2009 until
5 April 5, 2010, stated that "GM certified means no worries."

6 241. GM's Chevrolet brand ran television ads in 2010 showing parents bringing their
7 newborn babies home from the hospital, with the tagline "[a]s long as there are babies, there'll be
8 Chevys to bring them home."

9 242. Another 2010 television ad informed consumers that "Chevrolet's ingenuity and
10 integrity remain strong, exploring new areas of design and power, while continuing to make some
11 of the safest vehicles on earth."

12 243. An online national ad campaign for GM in April of 2012 stressed "Safety. Utility.
13 Performance."

14 244. A national print ad campaign in April of 2013 states that "[w]hen lives are on the
15 line, you need a dependable vehicle you can rely on. Chevrolet and GM ... for power,
16 performance and safety."

17 245. A December 2013 GM testimonial ad stated that "GM has been able to deliver a
18 quality product that satisfies my need for dignity and safety."

19 246. GM's website, GM.com, states:

20 Innovation: Quality & Safety; GM's Commitment to Safety; Quality
21 and safety are at the top of the agenda at GM, as we work on
22 technology improvements in crash avoidance and crashworthiness to
23 augment the post-event benefits of OnStar, like advanced automatic
24 crash notification. Understanding what you want and need from your
25 vehicle helps GM proactively design and test features that help keep
26 you safe and enjoy the drive. Our engineers thoroughly test our
27 vehicles for durability, comfort and noise minimization before you
28 think about them. The same quality process ensures our safety
technology performs when you need it.

247. On February 25, 2014, GM North America President Alan Batey publically stated:
"Ensuring our customers' safety is our first order of business. We are deeply sorry and we are
working to address this issue as quickly as we can."

1 248. These proclamations of safety and assurances that GM's safety technology performs
2 when needed were false and misleading because they failed to disclose the dangerous defects in
3 millions of GM-branded vehicles, and the fact GM favored cost-cutting and concealment over
4 safety. GM knew or should have known that its representations were false and misleading.

5 249. GM continues to make misleading safety claims in public statements,
6 advertisements, and literature provided with its vehicles.

7 250. GM violated California law in failing to disclose and in actively concealing what it
8 knew regarding the existence of the defects, despite having exclusive knowledge of material facts
9 not known to the Plaintiff or to California consumers, and by making partial representations while
10 at the same time suppressing material facts. *LiMandri v. Judkins* (1997) 52 Cal. App. 4th 326, 337,
11 60 Cal. Rptr. 2d 539. In addition, GM had a duty to disclose the information that it knew about the
12 defects because such matters directly involved matters of public safety.

13 251. GM violated California law in failing to conduct an adequate retrofit campaign
14 (*Hernandez v. Badger Construction Equip. Co.* (1994) 28 Cal. App. 4th 1791, 1827), and in failing
15 to retrofit the Defective Vehicles and/or warn of the danger presented by the defects after becoming
16 aware of the dangers after their vehicles had been on the market (*Lunghi v. Clark Equip. Co.*
17 (1984) 153 Cal. App. 3d 485; *Balido v. Improved Machinery, Inc.* (1972) 29 Cal. App. 3d 633).

18 252. GM also violated the TREAD Act, and the regulations promulgated under the Act,
19 when it failed to timely inform NHTSA of the defects and allowed cars to remain on the road with
20 these defects. By failing to disclose and actively concealing the defects, by selling new Defective
21 Vehicles and used "GM certified" Defective Vehicles without disclosing or remedying the defects,
22 and by using defective ignition switches for "repairs," GM engaged in deceptive business practices
23 prohibited by the CLRA, Cal. Civ. Code § 1750, *et seq.*, including (1) representing that GM
24 vehicles have characteristics, uses, benefits, and qualities which they do not have; (2) representing
25 that new Defective Vehicles and ignition switches and used "GM certified" vehicles are of a
26 particular standard, quality, and grade when they are not; (3) advertising GM vehicles with the
27 intent not to sell them as advertised; (4) representing that the subjects of transactions involving GM
28

1 vehicles have been supplied in accordance with a previous representation when they have not; and
2 (5) selling Defective Vehicles in violation of the TREAD Act.

3 **VI. CAUSES OF ACTION**

4 **FIRST CAUSE OF ACTION**

5 **VIOLATION OF BUSINESS AND PROFESSIONS CODE SECTION 17200**

6 253. Plaintiff realleges and incorporates by reference all preceding paragraphs.

7 254. GM has engaged in, and continues to engage in, acts or practices that constitute
8 unfair competition, as that term is defined in section 17200 of the California Business and
9 Professions Code.

10 255. GM has violated, and continues to violate, Business and Professions Code section
11 17200 through its unlawful, unfair, fraudulent, and/or deceptive business acts and/or practices.
12 GM uniformly concealed, failed to disclose, and omitted important safety-related material
13 information that was known only to GM and that could not reasonably have been discovered by
14 California consumers. Based on GM's concealment, half-truths, and omissions, California
15 consumers agreed to purchase or lease one or more (i) new or used GM vehicles sold on or after
16 July 10, 2009; (ii) "GM certified" Defective Vehicles sold on or after July 10, 2009; (iii) and/or to
17 have their vehicles repaired using GM's defective ignition switches. GM also repeatedly and
18 knowingly made untrue and misleading statements in California regarding the purported reliability
19 and safety of its vehicles, and the importance of safety to the Company. The true information
20 about the many serious defects in GM-branded vehicles, and GM's disdain for safety, was known
21 only to GM and could not reasonably have been discovered by California consumers.

22 256. As a direct and proximate result of GM's concealment and failure to disclose the
23 many defects and the Company's institutionalized devaluation of safety, GM intended that
24 consumers would be misled into believing that that GM was a reputable manufacturer of reliable
25 and safe vehicles when in fact GM was an irresponsible manufacture of unsafe, unreliable and
26 often dangerously defective vehicles.

UNLAWFUL

257. The unlawful acts and practices of GM alleged above constitute unlawful business acts and/or practices within the meaning of California Business and Professions Code section 17200. GM's unlawful business acts and/or practices as alleged herein have violated numerous federal, state, statutory, and/or common laws – and said predicate acts are therefore per se violations of section 17200. These predicate unlawful business acts and/or practices include, but are not limited to, the following: California Business and Professions Code section 17500 (False Advertising), California Civil Code section 1572 (Actual Fraud – Omissions), California Civil Code section 1573 (Constructive Fraud by Omission), California Civil Code section 1710 (Deceit), California Civil Code section 1770 (the Consumers Legal Remedies Act – Deceptive Practices), California Civil Code section 1793.2 *et seq.* (the Consumer Warranties Act), and other California statutory and common law; the National Traffic and Motor Vehicle Safety Act (49 U.S.C. § 30101 *et. seq.*), as amended by the Transportation Recall Enhancement, Accountability and Documentation TREAD Act, (49 U.S.C. §§ 30101-30170) including, but not limited to 49 U.S.C. §§ 30112, 30115, 30118 and 30166, Federal Motor Vehicle Safety Standard 124 (49 C.F.R. § 571.124), and 49 CFR §§ 573.6, 579.11, 579.12, and 579.21.

UNFAIR

258. GM's concealment, omissions, and misconduct as alleged in this action constitute negligence and other tortious conduct and gave GM an unfair competitive advantage over its competitors who did not engage in such practices. Said misconduct, as alleged herein, also violated established law and/or public policies which seek to promote prompt disclosure of important safety-related information. Concealing and failing to disclose the nature and extent of the numerous safety defects to California consumers, before (on or after July 10, 2009) those consumers (i) purchased one or more GM vehicles; (ii) purchased used "GM certified" Defective Vehicles; or (iii) had their vehicles repaired with defective ignition switches, as alleged herein, was and is directly contrary to established legislative goals and policies promoting safety and the prompt disclosure of such defects, prior to purchase. Therefore GM's acts and/or practices alleged herein were and are unfair within the meaning of Business and Professions Code section 17200.

259. The harm to California consumers outweighs the utility, if any, of GM's acts and/or practices as alleged herein. Thus, GM's deceptive business acts and/or practices, as alleged herein, were unfair within the meaning of Business and Professions Code section 17200.

260. As alleged herein, GM's business acts and practices offend established public policies, including, but not limited to, public policies against making partial half-truths and failing to disclose important material facts to consumers.

261. In addition, as alleged herein, GM intended that California consumers would be misled and/or deceived into believing that they would be purchasing a safe and reliable vehicle built by a reputable manufacturer that values safety and stands behind its vehicles after they are sold, when, in fact, they were in many cases obtaining a vehicle that had defects that had the potential to cause serious bodily injury and/or death, and, in every case, obtaining a vehicle made by an irresponsible manufacturer that does not value safety and was concealing myriad known safety defects in millions of GM-branded vehicles. This practice is and was immoral, unethical, oppressive, unscrupulous, or substantially injurious to consumers and thus unfair within the meaning of Business and Professions Code section 17200.

262. At all times relevant, GM's misconduct and omissions alleged herein: (a) caused substantial injury to the Public; (b) had no countervailing benefit to consumers or to competition that could possibly outweigh this substantial injury; and (c) caused injury that could not have been avoided or even discovered by ordinary consumers, because it resulted from GM's concealment, failure to disclose and/or omission of important safety related material information that only the Defendant knew or could have known. Thus, GM's acts and/or practices as alleged herein were unfair within the meaning of Business and Professions Code section 17200.

FRAUDULENT

263. GM's acts and practices, as alleged herein, were likely to, and did, deceive the Public. GM's concealment, material omissions, acts, practices and non-disclosures, as alleged herein, therefore constitute fraudulent business acts and/or practices within the meaning of California Business and Professions Code section 17200.

264. California consumers have been, and continue to be, deceived by GM's concealment and material omissions as alleged herein. California consumers have suffered injury and lost money as a direct result of the deceptive conduct as alleged herein. The unlawful, unfair, deceptive, and/or fraudulent business acts and practices of GM, as fully described herein, present a continuing threat to the citizens of California to be misled and/or deceived by GM as alleged herein, and/or to be substantially injured by these dangerously defective cars.

SECOND CAUSE OF ACTION

VIOLATION OF BUSINESS AND PROFESSIONS CODE SECTION 17500

265. Plaintiff realleges and incorporates by reference all preceding paragraphs.

266. California Business and Professions Code § 17500 states: “It is unlawful for any ... corporation ... with intent directly or indirectly to dispose of real or personal property ... to induce the public to enter into any obligation relating thereto, to make or disseminate or cause to be made or disseminated ... from this state before the public in any state, in any newspaper or other publication, or any advertising device, ... or in any other manner or means whatever, including over the Internet, any statement ... which is untrue or misleading, and which is known, or which by the exercise of reasonable care should be known, to be untrue or misleading.”

267. GM caused to be made or disseminated through California and the United States, through advertising, marketing, and other publications, statements that were untrue or misleading, and which were known, or which by the exercise of reasonable care should have been known to GM, to be untrue and misleading to consumers.

268. GM has violated section 17500 because the misrepresentations and omissions regarding the safety and reliability of its vehicles and the importance of safety to the Company as set forth in this First Amended Complaint were material and likely to deceive a reasonable consumer.

269. California consumers were exposed to and saw advertisements for GM vehicles on television, in magazines, on billboards, in brochures at dealerships, and on the Internet before purchasing GM vehicles. Had those advertisements, window stickers, or any other materials disclosed that millions of GM-branded vehicles contained serious safety defects and that GM did

1 not value safety, consumers would not have purchased new GM vehicles on or after July 10, 2009
2 and would not have purchased “GM certified” Defective Vehicles on or after July 10, 2009.

3 270. Despite notice of the serious safety defects in so many its vehicles, GM did not
4 disclose to consumers that its vehicles – which GM for years had advertised as “safe” and
5 “reliable” – were in fact not as safe or reliable as a reasonable consumer expected due to the risks
6 created by the many known defects, and GM’s focus on cost-cutting at the expense of safety and
7 the resultant concealment of numerous safety defects. GM never disclosed what it knew about the
8 defects. Rather than disclose the truth, GM concealed the existence of the defects, and claimed to
9 be a reputable manufacturer of safe and reliable vehicles.

10 271. GM, by the acts and misconduct alleged herein, violated Business & Professions
11 Code section 17500, and GM has engaged in, and continues to engage in, acts or practices that
12 constitute false advertising.

13 272. GM has violated, and continues to violate, Business and Professions Code section
14 17500 by disseminating untrue and misleading statements as defined by Business and Professions
15 Code 17500. GM has engaged in acts and practices with intent to induce members of the public to
16 purchase its vehicles by publicly disseminated advertising which contained statements which were
17 untrue or misleading, and which GM knew, or in the exercise of reasonable care should have
18 known, were untrue or misleading, and which concerned the real or personal property or services
19 or their disposition or performance.

20 273. GM repeatedly and knowingly made untrue and misleading statements in California
21 regarding the purported reliability and safety of its vehicles. The true information was known only
22 to GM and could not reasonably have been discovered by California consumers. GM uniformly
23 concealed, failed to disclose and omitted important safety-related material information that was
24 known only to GM and that could not reasonably have been discovered by California consumers.
25 Based on GM’s concealment, half-truths, and omissions, California consumers agreed (on or after
26 July 10, 2009) (i) to purchase GM vehicles; (ii) to purchase used “GM certified” Defective
27 Vehicles; and/or (iii) to have their vehicles repaired using defective ignition switches,
28

274. As a direct and proximate result of GM's concealment and failure to disclose the many safety defects, GM intended that consumers would be misled into believing that they would be purchasing a safe and reliable vehicle built by a reputable manufacturer that values safety, when in fact they were purchasing vehicles that were in many cases dangerously defective and were in every case overpriced because they were in fact built by an irresponsible manufacturer that valued cost-cutting over safety and routinely concealed a myriad of serious defects from regulators and the public.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment against GM as follows:

A. Pursuant to Business and Professions Code sections 17203 and 17535, that GM, its employees, agents, representatives, successors, assigns, and all persons who act in concert with them be permanently enjoined from committing any acts of unfair competition, including the violations alleged herein.

B. Pursuant to Business and Professions Code sections 17206 and 17536, that GM be ordered to pay a civil penalty in the amount of Two Thousand Five Hundred dollars (\$2,500.00) for each violation of Business and Professions Code section 17200 and for Five Thousand dollars (\$5,000) for each violation of Business and Professions Code section 17500 by GM in an amount according to proof.

C. That Plaintiff recover its costs of suit, including costs of investigation.

D. For reasonable attorneys' fees pursuant to Code of Civil Procedure section 1021.5, or other applicable law; and

E. For such other equitable relief as is just and proper.

///

///

///

///

///

1 Dated: July 1, 2014

Respectfully submitted,

2 TONY RACKAUCKAS, DISTRICT ATTORNEY
3 COUNTY OF ORANGE, STATE OF CALIFORNIA

4 By:

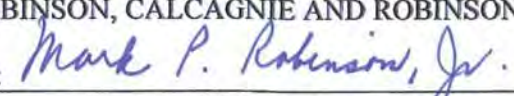

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7 Santa Ana, CA 92701-4575
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Fax: (714) 648-3636

8 Dated: July 1, 2014

ROBINSON, CALCAGNIE AND ROBINSON

9 By:



10 MARK P. ROBINSON, JR., SBN 06442

Kevin F. Calcagnie, SBN. 108994

11 Scot D. Wilson, SBN. 223367

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19 Corporate Plaza Drive

13 Newport Beach, California 92660

14 Tel.: (949) 720-1288

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22 *Attorneys for Plaintiff*

23 *THE PEOPLE OF THE STATE OF CALIFORNIA*

Case 8:14-cv-01238-AG-RNB Document 1-6 Filed 08/05/14 Page 1 of 1 Page ID #:136

SUMMONS
(CITACION JUDICIAL)

ON FIRST AMENDED COMPLAINT

SUM-100

NOTICE TO DEFENDANT: GENERAL MOTORS LLC
(AVISO AL DEMANDADO):

FOR COURT USE ONLY
(SOLO PARA USO DE LA CORTE)

ELECTRONICALLY FILED
Superior Court of California,
County of Orange

07/01/2014 at 12:58:00 PM

Clerk of the Superior Court
By Irma Cook, Deputy Clerk

YOU ARE BEING SUED BY PLAINTIFF: THE PEOPLE OF THE STATE
(LO ESTÁ DEMANDANDO EL DEMANDANTE): OF CALIFORNIA, acting by
and through Orange County District Attorney Tony Rackauckas

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The name and address of the court is:
(El nombre y dirección de la corte es):

ORANGE COUNTY SUPERIOR COURT
751 West Santa Ana Boulevard
Santa Ana, CA 92701
CIVIL COMPLEX CENTER

The name, address, and telephone number of plaintiff's attorney, or plaintiff without an attorney, is:

(El nombre, la dirección y el número de teléfono del abogado del demandante, o del demandante que no tiene abogado, es):
Mark P. Robinson, Jr., SBN 054426 949-720-1288 949-720-1292
ROBINSON CALCAGNIE ROBINSON SHAPIRO DAVIS, INC.
19 Corporate Plaza Drive
Newport Beach, CA 92660

DATE: 07/01/2014
(Fecha)

Alan Carlson

Clerk, by
(Secretario)

Judge Kim G. Dunning

CASE NUMBER:
(Número del caso) 30-2014-00731038-CU-BT-CXC

Irma Cook

Deputy
(Adjunto)

(For proof of service of this summons, use Proof of Service of Summons (form POS-010).)

(Para prueba de entrega de esta citación use el formulario Proof of Service of Summons, (POS-010)).

NOTICE TO THE PERSON SERVED: You are served

1. ☐ as an individual defendant.
2. ☐ as the person sued under the fictitious name of (specify):

3. ☐ on behalf of (specify):

under: ☐ CCP 416.10 (corporation) ☐ CCP 416.60 (minor)
☐ CCP 416.20 (defunct corporation) ☐ CCP 416.70 (conservatee)
☐ CCP 416.40 (association or partnership) ☐ CCP 416.90 (authorized person)
☐ other (specify):

4. ☐ by personal delivery on (date):

Page 1 of 1





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Primary Contact: Rosemarie Williams
General Motors LLC
Mail Code 48482-038-210
400 Renaissance Center
Detroit, MI 48265

Entity:	General Motors LLC Entity ID Number 3113523
Entity Served:	General Motors LLC
Title of Action:	The People of the State of California vs. General Motors LLC
Document(s) Type:	Summons/Complaint
Nature of Action:	Violation of State/Federal Act
Court/Agency:	Orange County Superior Court, California
Case/Reference No:	30-2014-00731038-CU-BT-CXC
Jurisdiction Served:	California
Date Served on CSC:	07/08/2014
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SUMMONS ON FIRST AMENDED COMPLAINT
(CITACION JUDICIAL)

SUM-100

NOTICE TO DEFENDANT: GENERAL MOTORS LLC
(AVISO AL DEMANDADO):

FOR COURT USE ONLY
(SOLO PARA USO DE LA CORTE)

ELECTRONICALLY FILED
Superior Court of California,
County of Orange

07/01/2014 at 12:58:00 PM

Clerk of the Superior Court
By Irma Cook, Deputy Clerk

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(LO ESTÁ DEMANDANDO EL DEMANDANTE): OF CALIFORNIA, acting by
and through Orange County District Attorney Tony Rackauckas

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(El nombre, la dirección y el número de teléfono del abogado del demandante, o del demandante que no tiene abogado, es):
Mark P. Robinson, Jr., SBN 054426 949-720-1288 949-720-1292

ROBINSON CALCAGNIE ROBINSON SHAPIRO DAVIS, INC.

19 Corporate Plaza Drive
Newport Beach, CA 92660

DATE: 07/01/2014

Alan Carlson

Clerk, by

(Secretario)

Judge Kim G. Dunning

Irma Cook

Deputy
(Adjunto)

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NOTICE TO THE PERSON SERVED: You are served

1. ☐ as an individual defendant.
2. ☐ as the person sued under the fictitious name of (specify):
3. ☒ on behalf of (specify): General Motors LLC
- under:
☐ CCP 416.10 (corporation)
☐ CCP 416.20 (defunct corporation)
☐ CCP 416.40 (association or partnership)
☒ other (specify): LLC
4. ☐ by personal delivery on (date):



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steve@hbsslaw.com

ELECTRONICALLY FILED
Superior Court of California,
County of Orange

07/01/2014 at 12:58:00 PM
Clerk of the Superior Court
By Irma Cook, Deputy Clerk

Attorneys for Plaintiff
THE PEOPLE OF THE STATE OF CALIFORNIA

SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF ORANGE – COMPLEX LITIGATION DIVISION

THE PEOPLE OF THE STATE OF
CALIFORNIA, acting by and through Orange
County District Attorney Tony Rackauckas,

Plaintiff,

v.

GENERAL MOTORS LLC

Defendant.

Case No. 30-2014-00731038-CU-BT-CXC

**FIRST AMENDED COMPLAINT FOR
VIOLATIONS OF CALIFORNIA
UNFAIR COMPETITION LAW AND
FALSE ADVERTISING LAW**

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1 Plaintiff, the People of the State of California ("Plaintiff" or "the People"), by and through
2 Tony Rackauckas, District Attorney for the County of Orange ("District Attorney"), alleges the
3 following, on information and belief:

4 **I. INTRODUCTION**

5 1. This is a law enforcement action which primarily seeks to protect the public safety
6 and welfare, brought by a governmental unit in the exercise of and to enforce its police power. *City*
7 *& Cnty. of San Francisco v. PG & E Corp.*, 433 F.3d 1115, 1124-1125 (9th Cir. 2006). The action
8 is brought by Tony Rackauckas, District Attorney of the County of Orange, under California
9 Business and Professions Code sections 17200 *et seq.*, the Unfair Competition Law ("UCL"), and
10 17500 *et seq.*, the False Advertising Law ("FAL"), and involves sales, leases, or other wrongful
11 conduct or injuries occurring in California. The defendant is General Motors LLC ("Defendant" or
12 "GM"), which is based in Detroit, Michigan.

13 2. This case arises from GM's egregious failure to disclose, and the affirmative
14 concealment of, at least 35 separate known defects in vehicles sold by GM, and by its predecessor,
15 "Old GM" (collectively, "GM-branded vehicles"). By concealing the existence of the many known
16 defects plaguing many models and years of GM-branded vehicles and the fact that GM values cost-
17 cutting over safety, and concurrently marketing the GM brand as "safe" and "reliable," GM enticed
18 vehicle purchasers to buy GM vehicles under false pretenses.

19 3. This action seeks to hold GM liable only for its *own* acts and omissions *after* the
20 July 10, 2009 effective date of the Sale Order and Purchase Agreement through which GM
21 acquired virtually all of the assets and certain liabilities of Old GM.

22 4. A vehicle made by a reputable manufacturer of safe and reliable vehicles is worth
23 more than an otherwise similar vehicle made by a disreputable manufacturer that is known to
24 devalue safety and to conceal serious defects from consumers and regulators. GM Vehicle Safety
25 Chief Jeff Boyer has recently stated that: "Nothing is more important than the safety of our
26 customers in the vehicles they drive." Yet GM failed to live up to this commitment, instead
27 choosing to conceal at least 35 serious defects in over 17 million GM-branded vehicles sold in the
28 United States (collectively, the "Defective Vehicles").

1 5. The systematic concealment of known defects was deliberate, as GM followed a
2 consistent pattern of endless “investigation” and delay each time it became aware of a given defect.
3 In fact, recently revealed documents show that GM valued cost-cutting over safety, trained its
4 personnel to *never* use the words “defect,” “stall,” or other words suggesting that any GM-branded
5 vehicles are defective, routinely chose the cheapest part supplier without regard to safety, and
6 discouraged employees from acting to address safety issues.

7 6. Under the Transportation Recall Enhancement, Accountability and Documentation
8 Act (“TREAD Act”)¹ and its accompanying regulations, when a manufacturer learns that a vehicle
9 contains a safety defect, the manufacturer must promptly disclose the defect.² If it is determined
10 that the vehicle is defective, the manufacturer may be required to notify vehicle owners,
11 purchasers, and dealers of the defect, and may be required to remedy the defect.³

12 7. GM *explicitly assumed* the responsibilities to report safety defects with respect to
13 all GM-branded vehicles as required by the TREAD Act. GM also had the same duty under
14 California law.

15 8. When a manufacturer with TREAD Act responsibilities is aware of myriad safety
16 defects and fails to disclose them as GM has done, that manufacturer’s vehicles are not safe. And
17 when that manufacturer markets and sells its new vehicles by touting that its vehicles are “safe,” as
18 GM has also done, that manufacturer is engaging in deception.

19 9. GM has recently been forced to disclose that it had been concealing a large number
20 of known safety defects in GM-branded vehicles ever since its inception in 2009, and that other
21 defects arose on its watch due in large measure to GM’s focus on cost-cutting over safety, its
22 discouragement of raising safety issues and its training of employees to avoid using language such
23 as “stalls,” “defect” or “safety issue” in order to avoid attracting the attention of regulators. As a
24 result, GM has been forced to recall over 17 million vehicles in some 40 recalls covering 35
25 separate defects during the first five and a half months of this year –20 times more than during the
26

27 ¹ 49 U.S.C. §§ 30101-30170.

28 ² 49 U.S.C. § 30118(c)(1) & (2).

³ 49 U.S.C. § 30118(b)(2)(A) & (B).

1 same period in 2013. The cumulative negative effect on the value of the vehicles sold by GM has
2 been both foreseeable and significant.

3 10. The highest-profile defect concealed by GM concerns the ignition switches in more
4 than 1.5 million vehicles sold by GM's predecessor (the "ignition switch defect"). The ignition
5 switch defect can cause the affected vehicles' ignition switches to inadvertently move from the
6 "run" position to the "accessory" or "off" position during ordinary driving conditions, resulting in a
7 loss of power, vehicle speed control, and braking, as well as a failure of the vehicle's airbags to
8 deploy. GM continued to use defective ignition switches in "repairs" of vehicles it sold after July
9 10, 2009.

10 11. For the past five years, GM received reports of crashes and injuries that put GM on
11 notice of the serious safety issues presented by its ignition switch system. GM was aware of the
12 ignition switch defects (and many other serious defects in numerous models of GM-branded
13 vehicles) *from the very date of its inception on July 10, 2009.*

14 12. Yet, despite the dangerous nature of the ignition switch defects and the effects on
15 critical safety systems, GM concealed the existence of the defects and failed to remedy the problem
16 from the date of its inception until February of 2014. In February and March of 2014, GM issued
17 three recalls for a combined total of 2.19 million vehicles with the ignition switch defects.

18 13. On May 16, 2014, GM entered a Consent Order with NHTSA in which it admitted
19 that it violated the TREAD Act by not disclosing the ignition switch defect, and agreed to pay the
20 maximum available civil penalties for its violations.

21 14. Unfortunately for all owners of vehicles sold by GM, the ignition switch defect was
22 only one of a seemingly never-ending parade of recalls in the first half of 2014 – many concerning
23 safety defects that had been long known to GM.

24 15. Between 2003 and 2010, over 1.3 million GM-branded vehicles in the United States
25 were sold with a safety defect that causes the vehicle's electric power steering ("EPS") to suddenly
26 fail during ordinary driving conditions and revert back to manual steering, requiring greater effort
27 by the driver to steer the vehicle and increasing the risk of collisions and injuries (the "power
28 steering defect").

1 16. As with the ignition switch defect, GM was aware of the power steering defect from
2 the date of its inception, and concealed the defect for years.

3 17. From 2007 until at least 2013, nearly 1.2 million GM-branded vehicles were sold in
4 the United States with defective wiring harnesses. Increased resistance in the wiring harnesses of
5 driver and passenger seat-mounted, side-impact air bag ("SIAB") in the affected vehicles may
6 cause the SIABs, front center airbags, and seat belt pretensioners to not deploy in a crash (the
7 "airbag defect"). The vehicles' failure to deploy airbags and pretensioners in a crash increases the
8 risk of injury and death to the drivers and front-seat passengers.

9 18. Once again, GM knew of the dangerous airbag defect from the date of its inception
10 on July 10, 2009, but chose instead to conceal the defect, and marketed its vehicles as "safe" and
11 "reliable."

12 19. To take just one more example, between 2003 and 2012, 2.4 million GM-branded
13 vehicles in the United States were sold with a wiring harness defect that could cause brake lamps to
14 fail to illuminate when the brakes are applied or cause them to illuminate when the brakes are not
15 engaged (the "brake light defect"). The same defect could also disable traction control, electronic
16 stability control, and panic braking assist operations. Though GM received hundreds of complaints
17 and was aware of at least 13 crashes caused by this defect, it waited until May of 2014 before
18 finally ordering a full recall.

19 20. As further detailed in this First Amended Complaint, the ignition switch, power
20 steering, airbag, and brake light defects are just 4 of the 35 separate defects that resulted in 40
21 recalls of GM-branded vehicles in the first five and a half months of 2014, affecting over 17
22 million vehicles. Most or all of these recalls are for safety defects, and many of the defects were
23 apparently known to GM, but concealed for years.

24 21. This case arises from GM's breach of its obligations and duties, including but not
25 limited to: (i) its concealment of, and failure to disclose that, as a result of a spate of safety defects,
26 over 17 million Defective Vehicles were on the road nationwide – and many hundreds of thousands
27 in California; (ii) its failure to disclose the defects despite its TREAD Act obligations; (iii) its
28 failure to disclose that it devalued safety and systemically encouraged the concealment of known

1 defects; (iv) its continued use of defective ignition switches as replacement parts; (v) its sale of
2 used "GM certified" vehicles that were actually plagued with a variety of known safety defects;
3 and (vi) its repeated and false statements that its vehicles were safe and reliable, and that it stood
4 behind its vehicles after they were purchased.

5 22. From its inception in 2009, GM has known that many defects exist in millions of
6 GM-branded vehicles sold in the United States. But, to protect its profits and to avoid remediation
7 costs and a public relations nightmare, GM concealed the defects and their sometimes tragic
8 consequences.

9 23. GM violated the TREAD Act by failing to timely inform NHTSA of the myriad
10 safety defects plaguing GM-branded vehicles and allowed the Defective Vehicles to remain on the
11 road. In addition to violating the TREAD Act, GM fraudulently concealed the defects from owners
12 and from purchasers of new and used vehicles sold after July 10, 2009, and even used defective
13 ignition switches as replacement parts. These same acts and omissions also violated California law
14 as detailed below.

15 24. GM's failure to disclose the many defects, as well as advertising and promotion
16 concerning GM's record of building "safe" cars of high quality, violated California law.

17 II. PLAINTIFF'S AUTHORITY

18 25. Tony Rackauckas, District Attorney of the County of Orange, acting to protect the
19 public as consumers from unlawful, unfair, and fraudulent business practices, brings this action in
20 the public interest in the name of the People of the State of California for violations of the Unfair
21 Competition Law pursuant to California Business and Professions Code Sections 17200, 17204 and
22 17206, and for violations of the False Advertising Law pursuant to California Business and
23 Professions Code Sections 17500, 17535 and 17536. Plaintiff, by this action, seeks to enjoin GM
24 from engaging in the unlawful, unfair, and fraudulent business practices alleged herein, and seeks
25 civil penalties for GM's violations of the above statutes.

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III. DEFENDANT

26. Defendant General Motors LLC ("GM") is a foreign limited liability company formed under the laws of Delaware with its principal place of business located at 300 Renaissance Center, Detroit, Michigan. GM was incorporated in 2009.

27. GM has significant contacts with Orange County, California, and the activities complained of herein occurred, in whole or in part, in Orange County, California.

28. At all times mentioned GM was engaged in the business of designing, manufacturing, distributing, marketing, selling, leasing, certifying, and warranting the GM cars that are the subject of this First Amended Complaint, throughout the State of California, including in Orange County, California.

IV. JURISDICTION AND VENUE

29. This Court has jurisdiction over this matter pursuant to the California Constitution, Article XI, section 10 and California Code of Civil Procedure ("CCP") section 410.10 because GM transacted business and committed the acts complained of herein in California, specifically in the County of Orange. The violations of law alleged herein were committed in Orange County and elsewhere within the State of California.

30. Venue is proper in Orange County, California, pursuant to CCP section 395 and because many of the acts complained about occurred in Orange County.

V. FACTUAL BACKGROUND

A. There Are Serious Safety Defects in Millions of GM Vehicles Across Many Models and Years, and, Until Recently, GM Concealed them from Consumers.

31. In the first five and a half months of 2014, GM announced some 40 recalls affecting over 17 million GM-branded vehicles from model years 2003-2014. The recalls concern 35 separate defects. The numbers of recalls and serious safety defects are unprecedented, and can only lead to one conclusion: GM and its predecessor sold a large number of unsafe vehicle models with myriad defects during a long period of time.

32. Even more disturbingly, the available evidence shows a common pattern: From its inception in 2009, GM knew about an ever-growing list of serious safety defects in millions of

1 GM-branded vehicles, but concealed them from consumers and regulators in order to boost sales
2 and avoid the cost and publicity of recalls.

3 33. GM inherited from Old GM a company that valued cost-cutting over safety, actively
4 discouraged its personnel from taking a “hard line” on safety issues, avoided using “hot” words
5 like “stall” that might attract the attention of NHTSA and suggest that a recall was required, and
6 trained its employees to avoid the use of words such as “defect” that might flag the existence of a
7 safety issue. GM did nothing to change these practices.

8 34. The Center for Auto Safety recently stated that it has identified 2,004 death and
9 injury reports filed by GM with federal regulators in connection with vehicles that have recently
10 been recalled.⁴ Many of these deaths and injuries would have been avoided had GM complied with
11 its TREAD Act obligations over the past five years.

12 35. The many defects concealed by GM affected key safety systems in GM vehicles,
13 including the ignition, power steering, airbags, brake lights, gear shift systems, and seatbelts.

14 36. The available evidence shows a consistent pattern: GM learned about a particular
15 defect and, often at the prodding of regulatory authorities, “investigated” the defect and decided
16 upon a “root cause.” GM then took minimal action – such as issuing a carefully-worded
17 “Technical Service Bulletin” to its dealers, or even recalling a very small number of affected
18 vehicles. All the while, the true nature and scope of the defects were kept under wraps, vehicles
19 affected by the defects remained on the road, and GM enticed consumers to purchase its vehicles
20 by touting the safety, quality, and reliability of its vehicles, and presenting itself as a manufacturer
21 that stands behind its products.

22 37. The nine defects affecting the greatest number of vehicles are discussed in some
23 detail below, and the remainder are summarized thereafter.

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28 ⁴ See *Thousands of Accident Reports Filed Involving Recalled GM Cars: Report*, Irvin Jackson
(June 3, 2014).